



ZICO HOLDINGS INC.

Incorporated in Labuan, Malaysia

Company Registration No. LL07968

RESPONSE TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ("SGX-ST") ON THE COMPANY'S CIRCULAR TO SHAREHOLDERS DATED 7 DECEMBER 2021 AND THE SUBSEQUENT RE-DESIGNATION OF MR CHEW LIONG KIM

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 circular to shareholders dated 7 December 2021 (the "**Circular**") and announcements both dated 31 December 2021 on the re-designation of Mr Chew Liong Kim from an independent director to a non-independent non-executive director of the Company with effect from 1 January 2022 (the "**Announcements**").

Unless otherwise defined, all capitalised terms used herein shall have the same meanings given to them in the Circular and Announcements.

The Company sets out below our responses to the SGX-ST's queries that were received on 23 March 2022 and headed as follows:

"We note that there were advances made by Zico to its associated company, ShakeUp Online Sdn Bhd ("ShakeUp") from FY2017 to FY2020 (sic) ("Relevant Period"), for the purposes of capital and operating expenditure (the "ShakeUp Advances").

The ShakeUp Advances are unsecured, bear an interest rate of 4% per annum on the cumulative advances outstanding, and are due as and when recalled by the Company. The 4% per annum interest rate is fixed and based on the Company's weighted average cost of financing. Each of the ShakeUp Advances were below S\$100,000 in value.

ShakeUp is owned by Zico (20%) and Mr Chew Liong Kim (80%). Mr Chew Liong Kim was an independent director of Zico during the Relevant Period.

We have the following queries on the ShakeUp Advances and Re-designation:"

The wordings in italics are the SGX-ST's and reproduced verbatim from the SGX-ST queries received by Stamford Corporate Services Pte Ltd, the Company's Sponsor.

SGX-ST Query 1: Please provide more information on the nature of the ShakeUp Advances and use of such advances by ShakeUp. Why was the interest-rate fixed at 4% throughout the Relevant Period?

Company's response:

- 1.1 The ShakeUp Advances (i.e. the advances provided by the Company to ShakeUp Online Sdn. Bhd. ("**ShakeUp**") as defined in section 3.2 of the Circular) were in relation to licence and support fees to be paid to Epoq Legal Ltd ("**Epoq**")¹, a UK-based online and assisted legal service provider, for the use of its document automation system, and operational costs of ShakeUp such as development and marketing costs, payroll (including for professionals to develop the necessary software in conjunction with external service providers), utility bills and suppliers' invoices. For further details on the costs involved in the starting up of ShakeUp and the rationale for the ShakeUp advances, please also refer to section 3.3 of the Circular.
- 1.2 The interest rate of 4% throughout the Relevant Period (being 27 December 2017 up to 30 November 2021) was derived at having regard to the Company's weighted average cost of financing and was reviewed annually. Further details on the Company's weighted average cost of financing is set out in paragraph 6.2 (*Assessment of the key terms of the ShakeUp Advances*) of the letter dated 7 December 2021 from the independent financial advisor, W Capital Markets Pte. Ltd. ("**IFA**") and addressed to the Directors who are deemed independent in respect of the Proposed Ratification and Approval (as defined in the Circular) of the past ShakeUp Advances ("**IFA Letter**") and the IFA was of the opinion that the interest charged on the ShakeUp Advances of 4.0% per annum is reasonable taking into account the weighted average cost of financing for the Group during the Relevant Period.
- 1.3 For ease of reference, paragraph 6.2 of the IFA Letter (*Assessment of the key terms of the ShakeUp Advances*) is extracted and reproduced below:

"6.2 Assessment of the key terms of the ShakeUp Advances

As mentioned in Section 5 of this IFA Letter, the interest charged on the ShakeUp Advances is at the fixed rate of 4.0% per annum on the cumulative advances outstanding. We note that the interest rate was determined having regard to the Company's weighted average cost of financing.

In this regard, we set out below the weighted average cost of financing for the Group during the Relevant Period:-

¹ Please refer to section 3.3 of the Circular on Epoq Legal Ltd.

	FY2018	FY2019	FY2020	6 months financial period ended 30 June 2021
Weighted average cost of financing	3.9%	4.0%	3.2%	3.0%

Source: Company

Note:

(1) Prior to 27 December 2017, ShakeUp was not an interested person as it was a subsidiary of the Company (and not an associate of Mr. Chew Liong Kim). Accordingly, the ShakeUp Advances prior to 27 December 2017 were not IPTs and we did not take into consideration the Group's cost of financing for FY2017.

Having regard to the above, we are of the view that the interest charged on the ShakeUp Advances of 4.0% per annum, is reasonable taking into account the weighted average cost of financing for the Group during the Relevant Period."

1.4 Shareholders may also refer to Appendix B of the Circular for a copy of the IFA Letter.

SGX-ST Query 2: It was stated in the circular that the ShakeUp Advances were crucial to support ShakeUp's establishment as a technology start-up during its initial stages, while it worked towards creating its service products and client base. The funds were required to pay for licence and support fees to Epoq Legal Ltd ("Epoq"), for the use of a document automation system under an agreement entered into with Epoq.

- Did the Company and Board reach out to third-parties for financing needs before taking up the ShakeUp Advances?
- What did the Board consider and assess prior to agreeing to the ShakeUp Advances?

Company's response:

2.1 ShakeUp was incorporated in 14 February 2017 as a new start-up entity and based on the Company's previous engagements with financiers, it could not obtain financing on its own. Hence, the Company had to finance the initial advances as it had existing banking facilities in place. To further clarify, the ShakeUp Advances were provided since ShakeUp's incorporation, even before Mr. Chew Liong Kim became its 80% shareholder in 27 December 2017, except that advances made before then were not considered interested person transactions as ShakeUp was a subsidiary of the Company and not an associate of Mr. Chew Liong Kim.

- 2.2 It is also to be noted that, as part of the Company's collaboration with Epoq, it was agreed that the Company may also fund the working capital requirements of ShakeUp by making interest-bearing inter-company loans. The intention was to provide reassurance and indicate to Epoq the commitment of the Company to support ShakeUp and its collaboration with Epoq. Apart from bearing general administrative expenses such as audit and company secretarial fees, the Company has not made any further advances to ShakeUp since 1 January 2021 as Shakeup has ceased to be active.
- 2.3 The Board had considered that ShakeUp will spearhead the Group's new strategy to provide affordable online legal services to small-medium-enterprises in the ASEAN region. The Services (as described in section 3.2 of the Circular) will complement the Company's existing platform of multi-disciplinary services delivered through an integrated platform. The delivery of the Services would enhance the Group's existing eco-system of serving offerings to its clients.

SGX-ST Query 3: Why were the ShakeUp Advances contributed solely by Zico, instead of proportionately between the 2 shareholders of ShakeUp, being Zico and Mr Chew?

Company's response:

- 3.1 The decision to dispose 80% of ZICO Malaysia Sdn Bhd's equity interests in ShakeUp to Mr Chew Liong Kim was based on his agreement to oversee the development and implementation of ShakeUp's strategy for 2 years. This involved Mr Chew Liong Kim spending time to oversee and monitor the procurements for the starting-up of the business that would involve capital and operational expenditure, collaboration and partnership with other service providers, the recruitment of a team to execute the business plan, and all related matters. Mr Chew Liong Kim agreed to provide these services at no cost in exchange for the Company's support in terms of contributing to ShakeUp's capital and operational expenses.
- 3.2 Please refer to section 3.2 of the Circular for further information on the Company's such considerations and Mr. Chew Liong Kim's past experience.

SGX-ST Query 4: How would the ShakeUp Advances be initiated? How were the terms of the ShakeUp Advances negotiated and agreed between Zico and ShakeUp? Who were the persons in charge from each of Zico and ShakeUp?

Company's response:

- 4.1 The ShakeUp Advances were requested as and when ShakeUp was short of working capital.
- 4.2 The Company's advances to Shakeup were based on the historical understanding established at the time of negotiations with Epoq to enter into a collaboration. ShakeUp was incorporated in 14

February 2017 as a new start-up entity and based on the Company's previous engagements with financiers, it could not obtain financing on its own. As such, pursuant to the agreement with Epoq referred to under paragraph 2.2 and as a matter of business reality, the Company had to fund ShakeUp's working capital. This was not a situation that could be equated to a borrower and a financier entering into discussions or negotiations to arrive at the agreed commercial terms.

- 4.3 The Company wishes to reiterate that the Company's advances to ShakeUp commenced since ShakeUp's incorporation, even before Mr. Chew Liong Kim became its 80% shareholder in 27 December 2017, except that advances made before then were not considered interested person transactions as ShakeUp was a subsidiary of the Company and not an associate of Mr. Chew Liong Kim. The Company agreed to fund any advances made to ShakeUp at its prevailing weighted average cost of financing.
- 4.4 The Company's and ShakeUp's respective decision makers (i.e. the persons in charge) in relation to the ShakeUp Advances were:
- (a) In relation to the Company, the Company's board of directors, with the abstention of Mr Chew Liong Kim.
 - (b) In relation to ShakeUp, ShakeUp's board of directors comprising Datuk Ng Hock Heng, executive director of the Company, and Mr Chew Liong Kim.

SGX-ST Query 5: It was stated that the individual ShakeUp Advances were less than S\$100,000. How was the quantum of each ShakeUp Advances determined? Why were these advances not aggregated?

Company's response:

- 5.1 The quantum of each ShakeUp Advance was determined on a case-by-case, based on the operational needs of ShakeUp at each relevant time, including costs involved in development and marketing, payroll, utility bills and suppliers' invoices. The amounts advanced were based on exact quantum required, which happened to be below S\$100,000.
- 5.2 Based on the Company's plain reading of the SGX-ST Listing Manual Section B: Rules of Catalist ("**Catalist Rules**"), the Company was of the view that that there was no requirement to aggregate the ShakeUp Advances. It is also to be noted that the amendments to Catalist Rules 905(5) and 906(4), which empowered the SGX-ST to aggregate interested person transactions below S\$100,000 and treat them as if they were one transaction in accordance with Catalist Rule 902, only came into effect on February 2020. The ShakeUp Advances in FY2020 was in aggregate RM102,452² as per page 20 of the Circular.

² For illustration purposes and Shareholders' reference only, this is equivalent to approximately SGD33,881 based on the Monetary Authority of Singapore's exchange rate of MYR1: SGD0.33 as at February 2020.

- 5.3 The aggregation of the Shakeup Advances and the ratification of the Shakeup Advances by shareholders was requested by Stamford Corporate Services (“SCS”) as a condition precedent to SCS accepting its appointment as the new Sponsor to the Company. The Company had agreed to aggregate the ShakeUp Advances and conduct an extraordinary general meeting for the ratification by Shareholders of the past ShakeUp Advances as interested person transactions to comply with the requirements under Chapter 9 of the Catalist Rules in the interests of good corporate governance and corporate transparency.

SGX-ST Query 6: Please detail the considerations and deliberations of the Nominating Committee in arriving at the opinion on Mr Chew Liong Kim’s independence during the Relevant Periods. Please explain how such assessment is in compliance with Catalist Rule 704(7) and the Code of Corporate Governance.

Company’s response:

- 6.1 Guideline 2.3 of the Code of Corporate Governance 2012 states that:

“An “independent” director is one who has no relationship with the company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director’s independent business judgement with a view to the best interests of the company.”

- 6.2 Provision 2.1 of the Code of Corporate Governance 2018 states that:

“An “independent” director is one who is independent in conduct, character and judgement, and has no relationship with the company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director’s independent business judgement in the best interests of the company.”

- 6.3 During the Relevant Period, the Nominating Committee had assessed Mr Chew Liong Kim’s independence with reference to the guidelines set out in the Code of Corporate Governance 2012 or the provisions of the Code of Corporate Governance 2018 (whichever was applicable at the relevant time and collectively referred to as the “Code”) and by taking into account Mr Chew Liong Kim’s confirmations of independence tabled at each relevant Nominating Committee meeting.
- 6.4 Following their assessments, the Nominating Committee had determined that he was independent in character and judgment, and that there were no relationships or circumstances which were likely to affect, or could appear to affect, his judgements.
- 6.5 It is also to be noted that the Nominating Committee had, in relation to the Disposal, assessed that the independence of Mr Chew Liong Kim as an independent director on the Company’s Board,

generally, for all intents and purposes other than transactions with or matters in connection with ShakeUp, should not be affected by the Disposal. This was because:

- (a) ShakeUp would be an associated company, not a related corporation (as defined in the Code), of the Company after the Disposal.
- (b) In relation to the Board decisions of the Company on matters in connection with and transactions of the Company with ShakeUp, Mr Chew Liong Kim would declare his interests and abstain from all such Board decisions of the Company.

6.6 Throughout the Relevant Period:

- (a) Shakeup has remained as an associated company of the Company, and not a related company; and
- (b) in relation to the Board decisions of the Company on matters in connection with and transactions of the Company with ShakeUp, Mr Chew Liong Kim has continued to declare his interests and has abstained from all Board decisions relating to ShakeUp.

As such, Mr Chew Liong Kim's shareholdings in ShakeUp did not affect the Nominating Committee's assessment of his independence during the Relevant Period, as stated under paragraph 6.4 above.

6.7 In relation to Mr Chew Liong Kim's re-election as the Company's Independent Director at the annual general meeting of 22 April 2019, the Board had taken into account the views of the Nominating Committee as stated above, and determined that Mr Chew Liong Kim was independent for the purposes of Catalist Rule 704(7).

6.8 In light of the above, the Company is of the view that the Nominating Committee's and Board's assessments of Mr Chew Liong Kim's independence during the Relevant Period were in compliance with Catalist Rule 704(7) and the Code.

SGX-ST Query 7: Please explain why the Company subsequently re-designated Mr Chew Liong Kim as a non-independent non-executive director in 2022.

Company's response:

7.1 As a condition precedent to SCS accepting its appointment as the new Sponsor to the Company, SCS had requested for the re-designation of Mr Chew Liong Kim from an Independent Director to a Non-Independent, Non-Executive Director, as it was of the view that Mr Chew Liong Kim should be deemed to be non-independent. The decision of the Nominating Committee was made in view of

such request from SCS and in view of the ShakeUp Advances provided by the Company during the Relevant Period which constituted IPTs. Please refer to section 3.9 of the Circular and the Company's announcement dated 31 December 2021 and titled "(I) Re-designation of Independent Director (II) Reconstitution of the Remuneration Committee", for further information on the re-designation.

SGX-ST Query 8: It is stated in the announcement on 31 Dec 2021 that "in view of the ShakeUp Advances provided by the Company during the Relevant Period which constituted IPTs, the NC, in consultation with the Company's Sponsor, Stamford Corporate Services, proposed for Mr Chew to be re-designated as a non-independent, non-executive director".

- **Please provide Stamford Corporate Services' assessment of Mr Chew Liong Kim's independence, with supporting bases.**

Company's response:

8.1 The Company reproduces the Sponsor's responses as follows:

"By way of background, SCS was appointed as the new Sponsor of the Company with effect from 16 October 2021. As a condition precedent to SCS accepting its appointment as the new Sponsor to the Company, SCS requested for the re-designation of Mr Chew Liong Kim from an Independent Director to a Non-Independent, Non-Executive Director, as it was of the view that Mr Chew Liong Kim should be deemed to be non-independent in view of (i) his 80% majority shareholding in ShakeUp and (ii) the large number of ShakeUp Advances and the aggregate value of the ShakeUp Advances. In addition, we refer to Practice Guidance 2: Board Composition and Guidance to the Code of Corporate Governance 2018 which states, inter alia, that the Nominating Committee and the Board should consider the following circumstances in which a director should also be deemed to be non-independent:

"(b) a director, or a director whose immediate family member, in the current or immediate past financial year, is or was, a substantial shareholder or a partner in (with 5% or more stake), or an executive officer of, or a director of, any organisation which provided to or received from the company or any of its subsidiaries any significant payments or material services (which may include auditing, banking, consulting and legal services). The amount and nature of the service, and whether it is provided on a one-off or recurring basis, are relevant in determining whether the service provided is material. As a guide, payments aggregated over any financial year in excess of S\$200,000 should generally be deemed significant irrespective of whether they constitute a significant portion of the revenue of the organisation in question."

The payments in the current scenario were in the form of the ShakeUp Advances which had, in aggregate, exceeded S\$200,000 in each of 2017, 2018 and 2019."



BY ORDER OF THE BOARD

Chew Seng Kok

Managing Director

25 March 2022

*This announcement has been reviewed by the Company's sponsor, Stamford Corporate Services Pte. Ltd. (the "**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and the SGX-ST 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 Vanessa Ng.

Tel: 6389 3065, Email: vanessa.ng@morganlewis.com