

CIRCULAR DATED 9 FEBRUARY 2018

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT, TAX ADVISER OR OTHER INDEPENDENT PROFESSIONAL ADVISER IMMEDIATELY.

If you have sold or transferred all your ordinary shares in the capital of Silverlake Axis Ltd (“**Company**”), you should immediately forward this Circular, the enclosed Notice of Special General Meeting and the accompanying Proxy Form to the purchaser or the transferee, or to the bank, stockbroker or agent through whom the sale or the transfer was effected for onward transmission to the purchaser or the transferee.

Your attention is drawn to **Section 11** of this Circular in respect of actions to be taken if you wish to attend and vote at the Special General Meeting.

The Singapore Exchange Securities Trading Limited (“**SGX-ST**”) assumes no responsibility for the accuracy of any statements or opinions made or reports contained in this Circular.



CIRCULAR TO SHAREHOLDERS

in relation to:

(1) THE PROPOSED ACQUISITION OF:

(A) 70% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF SILVERLAKE DIGITAL ECONOMY SDN BHD, SILVERLAKE DIGITALE SDN BHD AND SILVERLAKE ONE PARADIGM SDN BHD (COLLECTIVELY, THE “TARGET ENTITIES”), HELD BY SILVERLAKE INVESTMENT LTD (“SIL”), PURSUANT TO THE ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF SIL (“SIL SHARES”), AS AN INTERESTED PERSON TRANSACTION; AND

(B) THE BALANCE 30% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF EACH OF THE TARGET ENTITIES, FROM THE MINORITY SHAREHOLDER(S) OF EACH TARGET ENTITY (COLLECTIVELY, THE “MINORITY SELLERS”), WHICH, TOGETHER WITH THE ACQUISITION OF THE SIL SHARES, CONSTITUTES A POTENTIAL MAJOR ACQUISITION,

(COLLECTIVELY, THE “PROPOSED SHARE ACQUISITION”);

(2) THE PROPOSED EXECUTION OF (A) THE SYMMETRY LICENCE AND (B) THE TRANSITIONAL SERVICES AGREEMENT (COLLECTIVELY, THE “PROPOSED ANCILLARY AGREEMENTS”), IN CONJUNCTION WITH THE PROPOSED SHARE ACQUISITION, AS INTERESTED PERSON TRANSACTIONS; AND

(3) THE PROPOSED ISSUE OF UP TO 661,654,400 ORDINARY SHARES (“CONSIDERATION SHARES”) IN THE CAPITAL OF THE COMPANY, AT AN ISSUE PRICE OF NO LESS THAN S\$0.71 PER ORDINARY SHARE (“SHARE”), AS CONSIDERATION FOR THE PROPOSED SHARE ACQUISITION COMPRISING (A) AN AGGREGATE OF UP TO 463,158,080 SHARES TO BE ISSUED TO THE CONTROLLING SHAREHOLDER OF THE COMPANY, GOH PENG OOI, AS AN INTERESTED PERSON TRANSACTION; AND (B) AN AGGREGATE OF UP TO 198,496,320 SHARES TO BE ISSUED TO THE MINORITY SELLERS (COLLECTIVELY, THE “PROPOSED CONSIDERATION SHARE ISSUE”),

(COLLECTIVELY, THE “PROPOSED TRANSACTION”).

Financial Adviser



CIMB Bank Berhad (13491-P)

Singapore Branch
(Incorporated in Malaysia)

Independent Financial Adviser to the Independent Directors

DELOITTE & TOUCHE CORPORATE FINANCE PTE LTD

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200200144N)

IMPORTANT DATES AND TIMES:

Last date and time for lodgement of Proxy Form	:	26 February 2018 at 2.30 p.m.
Date and time of Special General Meeting	:	1 March 2018 at 2.30 p.m.
Place of Special General Meeting	:	Oriental Ballroom 1, Lobby Level, Mandarin Oriental Singapore, 5 Raffles Avenue, Marina Square, Singapore 039797

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DEFINITIONS

Unless otherwise stated, the following definitions will apply throughout this Circular:

General

- “Adjusted NPAT”** : In relation to each Target Entity, the NPAT of the relevant Target Entity for the applicable Target Entity FY, based on its audited financial statements, after adjusting for and/or deducting:
- (a) all Deductibles; and
 - (b) any applicable Cost of Funding
- For the avoidance of doubt, the Adjusted NPAT is intended to be limited to gains arising from the ordinary business operations of the Target Entities and to exclude any gains or losses arising from a disposal of fixed assets, subsidiaries or associated companies and/or goodwill or other intangibles outside the ordinary course of business operations.
- “Agreed Issue Price”** : S\$0.71 per Share, subject to proportionate adjustment for share splits, share dividends, share consolidations, capital reductions or the like
- “Ancillary Agreements”** : Collectively, the Transitional Services Agreement (“**TSA**”) and the Symmetry Licence
- “Announcement”** : The announcement released by the Company on SGXNET on 20 October 2017 in relation to the Proposed Transaction
- “Audit Committee”** : The audit committee of the Company, from time to time
- “Average Adjusted NPAT”** : In relation to each Target Entity, the average Adjusted NPAT of the relevant Target Entity over the Target Entity Growth Reference Period
- “Average % Growth”** : In relation to each Target Entity, the average year-on-year percentage growth in the relevant Target Entity’s Average Adjusted NPAT
- “Base Consideration”** : Means the sum of RM154,915,719, or approximately S\$49,776,916 (applying the exchange rate of S\$1:RM3.1122, as set out in the Announcement), being the initial component of the Consideration payable to the Sellers, as further described in **Sections 2.3(a), 2.4 and 2.5** of this Circular

DEFINITIONS

“Base Consideration Shares”	:	Means an aggregate of 70,108,333 Shares to be issued to the Sellers in satisfaction of the Base Consideration, as further described in Section 2.5(d) of this Circular
“Bermuda Exchange Control Act”	:	The Exchange Control Act of 1972 of Bermuda and related rules and regulations, as revised, amended and supplemented from time to time
“BMA”	:	Bermuda Monetary Authority
“Board”	:	The board of Directors of the Company, from time to time
“Business Day”	:	A day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks are open for business in Bermuda, Malaysia and Singapore
“Business Plan”	:	In respect of each Target Entity, the business plan to be mutually agreed by the Key Executive and the board of directors of the relevant Target Entity, within 90 days from the Completion Date, as may be varied or supplemented from time to time and at any time
“CDP”	:	The Central Depository (Pte) Limited
“CIMB”	:	CIMB Bank Berhad, Singapore Branch
“Circular”	:	This circular, dated 9 February 2018
“Company”	:	Silverlake Axis Ltd
“Completion”	:	Completion of the Proposed Share Acquisition in accordance with the terms of the SPA
“Completion Date”	:	The date falling ten (10) Business Days after the Unconditional Date
“Consideration”	:	The aggregate consideration payable by the Company to the Sellers for the Proposed Share Acquisition, comprising the Base Consideration and the Earn-Out Consideration
“Consideration Cap”	:	Means the maximum amount of Consideration payable, comprising 25% of the market capitalisation of the Company on the date of the SPA, being 20 October 2017, based on the Agreed Issue Price of S\$0.71, as referred to in Sections 1.1(e)(iv) and 2.6(b) of this Circular

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“Consideration Shares”	:	The Base Consideration Shares and, if applicable, Earn-Out Consideration Shares to be allotted and issued by the Company to the Sellers, or their respective nominee(s), in proportion to their respective shareholdings in the Target Entities, in satisfaction of the Consideration
“Controlling Shareholder”	:	A person who holds directly or indirectly 15% or more of the nominal amount of all voting shares in the Company (subject to the SGX-ST determining that such a person is not a Controlling Shareholder), or a person who in fact exercises control over the Company
“Cost of Funding”	:	An amount equal to 15% per annum of the cash value of any capital injected and/or funds advanced by the Group to any Target Entity to help it meet its working capital and/or cash flow requirements for any applicable Target Entity FY, provided that such amount shall not apply to any Top Down Funding Requirements, which, for the avoidance of doubt, shall be provided by the Group to the Target Entity on an interest free basis
“CSC”	:	Choo Soo Ching @ Cha Boo @ Choo Joo Di
“Deductibles”	:	All costs and/or expenses directly attributable to a Target Entity’s operations prior and up to Completion which have not been recognised in the relevant Target Entity’s profit & loss statement for Target Entity FY2016 and Target Entity FY2018, as specified in Schedule 8 of the SPA and pro-rated where applicable for FY2018
“Directors”	:	The directors of the Company from time to time, and “Director” means any of them
“Disclosure Letter”	:	The letter, if any, to be issued by GPO and each of the Minority Sellers to the Company, disclosing information constituting exceptions to such of the Warranties as are applicable to them
“Earn-Out Consideration”	:	Means the further component of the Consideration payable to the Sellers, as further described in Sections 2.3(b), 2.6 and 2.7 of this Circular
“Earn-Out Consideration Shares”	:	Means the Shares to be potentially issued to the Sellers in satisfaction of the Earn-Out Consideration, as further described in Section 2.7(f) of this Circular

DEFINITIONS

“Encumbrance”	:	Any mortgage, assignment of receivables, debenture, lien, charge, pledge, title retention, right to acquire, security interest, option, pre-emptive or other similar right, right of first refusal and any other encumbrance or condition whatsoever
“EPS”	:	Earnings per Share
“Financial Adviser”	:	CIMB Bank Berhad, Singapore Branch
“GPO”	:	Mr. Goh Peng Ooi
“GPO Affiliate”	:	<p>Any company, corporation or entity (other than the Target Entities) whose business, operations and/or affairs GPO has the authority or ability, whether directly or indirectly, to control, which authority or ability shall be conclusively deemed to exist upon his possession of:</p> <p>(a) legal and/or beneficial ownership, or the power to direct the vote, of more than 50% of the aggregate votes entitled to be cast in relation to such company, corporation or entity; or</p> <p>(b) any right or entitlement to control the composition of the board of directors or equivalent governing body of such company, corporation or entity</p>
“Group”	:	The Company and its subsidiaries and/or associated companies from time to time, and “Group Company” shall mean any of them
“IFA” or “Independent Financial Adviser”	:	Deloitte & Touche Corporate Finance Pte Ltd, the independent financial adviser appointed to advise the Independent Directors on the Proposed Transaction
“Independent Directors”	:	The independent Directors of the Company, comprising Ong Kian Min, Professor Tan Sri Dato’ Dr. Lin See-Yan, Lim Kok Min, Tan Sri Dato’ Dr. Mohd Munir bin Abdul Majid and Datuk Yvonne Chia
“Investment Committee”	:	The committee to be established by the Board to make recommendations to the Board and assist the Board with decisions relating to strategy and major investments by the Company

DEFINITIONS

“Key Executives”	:	The persons named as the key executives of each Target Entity, as set out in Schedule 4 of the SPA, namely, Choo Soo Ching @ Cha Boo @ Choo Joo Di (“ CSC ”) for SDE and Lim Ep Ban (“ LEB ”) for each of SDS and SOP, being the persons responsible for the day to day management of the relevant Target Entity
“Latest Practicable Date”	:	30 January 2018
“LEB”	:	Lim Ep Ban
“Listing Manual”	:	The listing manual of the SGX-ST, as amended, modified or supplemented from time to time
“Long Stop Date”	:	19 April 2018, being the date falling six (6) months from 20 October 2017, being the date of execution of the SPA, or such other date as the Parties may agree, in writing, from time to time, provided always that, if such date is not a Business Day, the date shall be deemed to fall on the next following Business Day
“Market Day”	:	A day on which the SGX-ST is open for securities trading
“MDeC”	:	Malaysia Digital Economy Corporation
“Minority Sellers”	:	Collectively, Choo Soo Ching @ Cha Boo @ Choo Joo Di (“ CSC ”), Lim Ep Ban (“ LEB ”), Wong Horn Lim (“ WHL ”) and Yew Chun Kiat (“ YCK ”)
“Minority Shareholders”	:	The Shareholders of the Company excluding GPO and his associates and any other Shareholders who are disenfranchised voters by virtue of the Listing Manual and/or any applicable law or regulation
“MSC”	:	Multimedia Super Corridor
“NAV”	:	Net Asset Value
“NPAT”	:	In respect of each Target Entity, the net profit after tax of the relevant Target Entity, for any applicable Target Entity FY, within the Target Entity Growth Reference Period, that is: (i) solely derived from and/or otherwise attributable to its existing business operations as at the date of the SPA and/or any business operations reasonably related or ancillary thereto;

DEFINITIONS

		(ii) derived from or relates to any business activity reflected in the Business Plan of the relevant Target Entity, as may be approved and/or varied by the board of directors of the relevant Target Entity from time to time; and/or
		(iii) otherwise expressly agreed to by the Company or the Investment Committee, in writing, from time to time
“NTA”	:	Net Tangible Assets
“Parties”	:	Collectively, the Company, GPO and each of the Minority Sellers, and each, a “Party”
“Proposed Ancillary Agreements”	:	The proposed execution of the Ancillary Agreements in conjunction with the Proposed Share Acquisition
“Proposed Consideration Share Issue”	:	The proposed issue of the Consideration Shares to the Sellers in consideration of the Proposed Share Acquisition
“Proposed Share Acquisition”	:	The Company’s proposed acquisition of the SIL Shares, SDE Minority Shares, SDS Minority Shares and SOP Minority Shares, from the Sellers, on the terms and subject to the conditions of the SPA
“Proposed Transaction”	:	Collectively, the Proposed Share Acquisition, the Proposed Ancillary Agreements and the Proposed Consideration Share Issue
“Record Date”	:	Any date fixed by the Company for the purposes of determining entitlements to dividends or other distributions to, or the rights of, holders of the Shares
“SDE”	:	Silverlake Digital Economy Sdn Bhd (UEN: 967017-X), a company incorporated in Malaysia, having its registered office at Level 8, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor
“SDE Acquisition”	:	The Company’s acquisition of the entire issued capital of SDE, pursuant to its acquisition of the SIL Shares and the SDE Minority Shares, on the terms of the SPA
“SDE Minority Shares”	:	The balance 30% shareholding interest in SDE held by Choo Soo Ching @ Cha Boo @ Choo Joo Di (“CSC”)

DEFINITIONS

“SDS”	:	Silverlake Digitale Sdn Bhd (UEN: 374874-K), a company incorporated in Malaysia, having its registered office at Level 8, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor
“SDS Acquisition”	:	The Company’s acquisition of the entire issued capital of SDS, pursuant to its acquisition of the SIL Shares and the SDS Minority Shares, on the terms of the SPA
“SDS Minority Shares”	:	The balance 30% shareholding interest in SDS held by each of Lim Ep Ban (“LEB”), Wong Horn Lim (“WHL”) and Yew Chun Kiat (“YCK”), in equal proportions
“Sellers”	:	Collectively, Goh Peng Ooi (“GPO”) and each of the Minority Sellers, comprising Choo Soo Ching @ Cha Boo @ Choo Joo Di (“CSC”), Lim Ep Ban (“LEB”), Wong Horn Lim (“WHL”) and Yew Chun Kiat (“YCK”)
“SFA”	:	The Securities and Futures Act (Chapter 289) of Singapore as amended, modified or supplemented from time to time
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shareholders”	:	The registered holders of the Shares in the Company’s register of members, except that, where the registered holder of any Shares is the CDP, the term “Shareholders” shall mean, in relation to such Shares, the persons whose direct securities accounts as maintained with CDP have been credited with such Shares, and any reference to Shares held by the Shareholders shall include Shares standing to the credit of such securities accounts
“Shares”	:	Ordinary shares in the issued share capital of the Company, and “Share” means any of them
“SIL”	:	Silverlake Investment Ltd (UEN: 48163), an exempted company, incorporated under the laws of Bermuda, having its registered office at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda
“SIL Restructuring”	:	The steps to be taken or procured by Goh Peng Ooi to restructure SIL’s assets, business and operations prior to Completion, as described in Section 2.8 of this Circular
“SIL Shares”	:	The entire issued share capital of SIL
“Silverlake Private Entities” or “SPEs”	:	The various Silverlake private entities controlled by GPO which do not form part of the Group

DEFINITIONS

“SOP”	:	Silverlake One Paradigm Sdn Bhd (UEN: 274822-X), a company incorporated in Malaysia, having its registered office at Level 8, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor
“SOP Acquisition”	:	The Company’s acquisition of the entire issued capital of SOP, pursuant to its acquisition of the SIL Shares and the SOP Minority Shares, on the terms of the SPA
“SOP Minority Shares”	:	The balance 30% shareholding interest in SOP held by each of Lim Ep Ban (“LEB”), Wong Horn Lim (“WHL”) and Yew Chun Kiat (“YCK”), in equal proportions
“SPA”	:	The share sale and purchase agreement entered into between the Company, Goh Peng Ooi (“GPO”) and the Sellers, on 20 October 2017
“Special General Meeting”	:	The special general meeting of the Company to be held on 1 March 2018, notice of which is set out on pages N-1 to N-2 of this Circular, including any adjournment thereof
“SPRINTS”	:	Silverlake Sprints Sdn Bhd (UEN: 542182-M), a private company, limited by shares, incorporated under the laws of Malaysia, having its registered office at Level 8, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor
“SSTR”	:	Silverlake Symmetry and Technology Research Sdn Bhd (UEN: 967019-K), a private company, limited by shares, incorporated under the laws of Malaysia, having its registered office at Level 8, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor
“Substantial Shareholder”	:	A person who has an interest or interests in one or more voting Shares and the total votes attached to such Share(s) represent not less than 5% of the total votes attached to all the voting Shares of the Company
“Symmetry Licence”	:	The agreement for the grant of a licence to use the Symmetry Software, in substantially the form set out Schedule 6 of the SPA, to be entered into between SSTR and each Target Entity, upon Completion, as further described in Section 2.11(b) of this Circular
“Symmetry Software”	:	The proprietary, rule-based suite of software programmes and/or applications legally and beneficially owned by SSTR, and marketed under the product name ‘S2 Symmetry Product Suite – Sheaf Rules’

DEFINITIONS

“Target Entities”	:	Collectively, SDE, SDS, and SOP, and each of them, a “Target Entity”
“Target Entity FY”	:	Target Entity FY2016, Target Entity FY2018, Target Entity FY2019 and Target Entity FY2020, as the case may be
“Target Entity FY2016”	:	The financial year of each Target Entity, commencing 1 January 2016 and ending 31 December 2016
“Target Entity FY2018”	:	The annualised 18 months financial period of each Target Entity, commencing 1 January 2017 and ending 30 June 2018
“Target Entity FY2019”	:	The financial year of each Target Entity, commencing 1 July 2018 and ending 30 June 2019
“Target Entity FY2020”	:	The financial year of each Target Entity, commencing 1 July 2019 and ending 30 June 2020
“Target Entity Growth Reference Period”	:	The period from 1 January 2017 to 30 June 2020
“Top Down Funding Requirements”	:	Any capital injected and/or funds advanced by the Group to the relevant Target Entity arising from or in connection with any projects, strategic initiatives or acquisitions instructed or directed by the Company or its Investment Committee to be undertaken by the relevant Target Entity after Completion
“Transitional Services Agreement” or “TSA”	:	The transitional services agreement for the continued provision of administration and back-end support services, in substantially the form set out in Schedule 5 of the SPA, to be entered into between SPRINTS and each Target Entity, upon Completion, as further described in Section 2.11(a) of this Circular
“Unconditional Date”	:	The date when the last of the conditions precedent under the SPA has been fulfilled, or waived by the Company, or such other date as the Parties may mutually agree in writing from time to time
“WHL”	:	Wong Horn Lim
“Working Capital Requirement”	:	In relation to each Target Entity, the minimum amount required by the relevant Target Entity to enable it to meet its working capital requirements for at least two (2) months post-Completion, as further described in the SPA
“YCK”	:	Yew Chun Kiat

DEFINITIONS

Currencies, Units and Others

“S\$” or “cents”	:	Singapore dollars and cents respectively
“RM” or “sen”	:	Malaysian Ringgit and sen respectively
“USD”	:	US dollars
“%” or “per cent.”	:	Per centum or percentage

The terms “Depositor”, “Depository Agent” and “Depository Register” shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall, where applicable, include corporations.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Any reference to a time of day in this Circular shall be a reference to Singapore time unless otherwise stated. All discrepancies in the tables included herein between the listed amounts and totals thereof are due to rounding.

CIRCULAR TO SHAREHOLDERS



Directors

Goh Peng Ooi (Group Executive Chairman)
Dr. Kwong Yong Sin (Group Managing Director)
Datuk Sulaiman bin Daud (Non-Executive Director)
Goh Shiou Ling (Non-Executive Director)
Ong Kian Min (Independent Non-Executive Director)
Professor Tan Sri Dato' Dr. Lin See-Yan
(Independent Non-Executive Director)
Lim Kok Min (Independent Non-Executive Director)
Tan Sri Dato' Dr. Mohd Munir bin Abdul Majid
(Independent Non-Executive Director)
Datuk Yvonne Chia (Independent Non-Executive Director)

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

9 February 2018

To: The Shareholders of Silverlake Axis Ltd ("**Shareholders**")

Dear Shareholders,

(1) THE PROPOSED ACQUISITION OF:

(A) 70% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF SILVERLAKE DIGITAL ECONOMY SDN BHD, SILVERLAKE DIGITALE SDN BHD AND SILVERLAKE ONE PARADIGM SDN BHD (COLLECTIVELY, THE "TARGET ENTITIES"), HELD BY SILVERLAKE INVESTMENT LTD ("SIL"), PURSUANT TO THE ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF SIL ("SIL SHARES"), AS AN INTERESTED PERSON TRANSACTION; AND

(B) THE BALANCE 30% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF EACH OF THE TARGET ENTITIES, FROM THE MINORITY SHAREHOLDER(S) OF EACH TARGET ENTITY (COLLECTIVELY, THE "MINORITY SELLERS"), WHICH, TOGETHER WITH THE ACQUISITION OF THE SIL SHARES, CONSTITUTES A POTENTIAL MAJOR ACQUISITION,

(COLLECTIVELY, THE "PROPOSED SHARE ACQUISITION");

(2) THE PROPOSED EXECUTION OF (A) THE SYMMETRY LICENCE AND (B) THE TRANSITIONAL SERVICES AGREEMENT (COLLECTIVELY, THE "PROPOSED ANCILLARY AGREEMENTS"), IN CONJUNCTION WITH THE PROPOSED SHARE ACQUISITION, AS INTERESTED PERSON TRANSACTIONS; AND

CIRCULAR TO SHAREHOLDERS

- (3) THE PROPOSED ISSUE OF UP TO 661,654,400 ORDINARY SHARES (“CONSIDERATION SHARES”) IN THE CAPITAL OF THE COMPANY, AT AN ISSUE PRICE OF NO LESS THAN S\$0.71 PER ORDINARY SHARE (“SHARE”), AS CONSIDERATION FOR THE PROPOSED SHARE ACQUISITION COMPRISING (A) AN AGGREGATE OF UP TO 463,158,080 SHARES TO BE ISSUED TO THE CONTROLLING SHAREHOLDER OF THE COMPANY, GOH PENG OOI, AS AN INTERESTED PERSON TRANSACTION; AND (B) AN AGGREGATE OF UP TO 198,496,320 SHARES TO BE ISSUED TO THE MINORITY SELLERS (COLLECTIVELY, THE “PROPOSED CONSIDERATION SHARE ISSUE”),

(COLLECTIVELY, THE “PROPOSED TRANSACTION”).

1. INTRODUCTION

1.1 Overview

- (a) On 8 March 2017, the Company announced that Goh Peng Ooi (“GPO”), its Group Executive Chairman and ultimate controlling shareholder, had invited the Company to express its interest to acquire GPO’s shareholding interests in various Silverlake private entities (“SPEs”), which are controlled by GPO but do not form part of the group of companies comprising the Company and its subsidiaries and/or associated companies (“Group”).
- (b) These SPEs included three (3) Malaysian incorporated SPEs, namely Silverlake Digital Economy Sdn Bhd (“SDE”), Silverlake Digitale Sdn Bhd (“SDS”) and Silverlake One Paradigm Sdn Bhd (“SOP”, and together with SDS and SDE, the “Target Entities”), wherein:
- (i) GPO controls 70% of the issued share capital of each Target Entity, through his wholly-owned, intermediate holding company, Silverlake Investment Ltd, incorporated in Bermuda (“SIL”);
 - (ii) Choo Soo Ching @ Cha Boo @ Choo Joo Di (“CSC”), holds the remaining 30% of the issued share capital of SDE (“SDE Minority Shares”);
 - (iii) Lim Ep Ban (“LEB”), Wong Horn Lim (“WHL”) and Yew Chun Kiat (“YCK”) hold the remaining 30% of the issued share capital of SDS, in equal proportions (“SDS Minority Shares”); and
 - (iv) LEB, WHL and YCK also hold the remaining 30% of the issued share capital of SOP, in equal proportions (“SOP Minority Shares”),
- (CSC, LEB, WHL and YCK are hereinafter collectively referred to as the “Minority Sellers”, and together with GPO, the “Sellers”).
- (c) The Minority Sellers are not involved in the business or management of the Company and are not a director, substantial shareholder or CEO of the Company or any Group Company, or an associate of any such director, substantial shareholder or CEO.

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- (d) On 20 October 2017, the Company announced that it had since entered into a share sale and purchase agreement (“**SPA**”) with GPO and the Minority Sellers to acquire their entire respective shareholding interests in the Target Entities, on the terms and subject to the conditions of the SPA, wherein the Company’s acquisition of GPO’s interest in the Target Entities will be effected by way of its acquisition of the SIL Shares (collectively, the “**Proposed Share Acquisition**”).

Further details of the SPA and the Proposed Share Acquisition are set out in **Section 2** of this Circular and further details of the Target Entities are set out in **Section 3** of this Circular.

- (e) As described in **Sections 2.3 to 2.7** of this Circular, the consideration for the Company’s acquisition of the entire interest in each of SDE (“**SDE Acquisition**”), SDS (“**SDS Acquisition**”) and SOP (“**SOP Acquisition**”) as aforesaid (“**Consideration**”):

(i) comprises both a base consideration component and an earn-out consideration component, which, in each case, are essentially based on agreed multiples being applied to the NPAT of each Target Entity, i.e. being the net profit after tax as derived from their existing or approved business operations, over the period from 1 January 2016 to 30 June 2020, with the earn-out consideration component and its related multiples being subject to achieving certain prescribed growth rates, as further described in **Section 2.6** of this Circular;

(ii) the Base Consideration will be satisfied by the issue of Shares in the Company, at an agreed issue price of S\$0.71 per Share (“**Agreed Issue Price**”);

(iii) the Earn-Out Consideration, if any, which is anticipated to be made on or around the end of calendar year 2020, will also be satisfied by the issue of Shares in the Company, at the Agreed Issue Price or higher, unless the Sellers request a cash payment and the Company is correspondingly able to source or otherwise secure the relevant funding, at reasonable cost and effort; and

(iv) is subject to an overall cap of 25% of the market capitalisation of the Company on the date of the SPA, being 20 October 2017, based on the Agreed Issue Price (“**Consideration Cap**”).

- (f) As described in **Sections 2.1 and 2.11** of this Circular, completion of the Proposed Share Acquisition (“**Completion**”) is also conditional upon, *inter alia*:

(i) Silverlake Sprints Sdn Bhd (“**SPRINTS**”) entering into the Transitional Services Agreement (“**TSA**”), with each Target Entity respectively; and

(ii) Silverlake Symmetry and Technology Research Sdn Bhd (“**SSTR**”) entering into the Symmetry Licence, with each of the Target Entities respectively,

(collectively, the “**Proposed Ancillary Agreements**”).

The Symmetry Licence and TSA involve different corporate entities which are not party to the SPA and the Company is desirous of continuing with the relevant arrangements post-Completion for continuity and to facilitate the operations of the Target Entities until the Company is in a suitable position to cease these arrangements.

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- (g) As further described in **Sections 1.2** and **6** of this Circular, the Proposed Share Acquisition, the Proposed Ancillary Agreements and the proposed issue of Shares in satisfaction of the Consideration (“**Proposed Consideration Share Issue**”) are also subject, *inter alia*, to the approval of the Minority Shareholders at a special general meeting to be convened and fulfilment of the prescribed conditions in the Listing Manual, in particular Chapter 9 thereof.

1.2 Minority Shareholder Approval

- (a) GPO is a Director and the ultimate controlling shareholder of the Company and an “*interested person*” within the meaning of Chapter 9 of the Listing Manual.
- (b) GPO is also the controlling shareholder of each of the Target Entities, holding 70% of the issued capital therein, through SIL, and the ultimate controlling shareholder of each of SPRINTS and SSTR, controlling 99.99% and 80% of the issued capital of each of these companies respectively.
- (c) As further described in **Section 6.1** of this Circular, the proposed acquisition of the SIL Shares by the Company and the proposed execution of the Ancillary Agreements by the Target Entities, with SPRINTS and SSTR, upon Completion, amount to interested person transactions, as defined under Chapter 9 of the Listing Manual, for which Minority Shareholders’ approval is required.
- (d) As further described in **Section 6.2** of this Circular, taking into account the Earn-Out Consideration and the Consideration Cap, the Proposed Transaction may also amount to a major transaction, as defined under Chapter 10 of the Listing Manual, again requiring the approval of the Minority Shareholders.
- (e) As further described in **Section 6.3** of this Circular, the proposed issue to GPO of his portion of the Consideration Shares also requires the approval of the Minority Shareholders pursuant to Rule 804 and Rules 812(1) and 812(2) of the Listing Manual.

1.3 Approval In-Principle from the SGX-ST

The Company has since applied for, and on 29 January 2018 obtained approval in-principle (“**AIP**”) from the SGX-ST for the listing and quotation of the Base Consideration Shares and the Earn-Out Consideration Shares on the Official List of the SGX-ST, subject to the following conditions:

- (a) compliance with the SGX-ST’s listing requirements;
- (b) shareholders’ approval on the issuance of the Consideration Shares; and
- (c) disclosure in the Circular a confirmation from the Audit Committee of the Company that it has reviewed the procedures in the interested persons mandate and confirms that the existing procedures and methods are sufficient to ensure that the Proposed Transaction will be carried out on normal commercial terms and will not be prejudicial to the interest of the Company and its minority shareholders.

The AIP is not to be taken as an indication of the merits of the Proposed Transaction, the Company or its Shares.

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1.4 Purpose of this Circular

The Directors are convening a special general meeting, notice of which is set out on pages N-1 to N-2 of this Circular, to seek Shareholders' approval for the Proposed Transaction.

The purpose of this Circular is to provide Shareholders with relevant information pertaining to the Proposed Transaction and the resolution to be tabled at the Special General Meeting in respect thereof.

1.5 Financial Adviser

The Company has appointed CIMB Bank Berhad, Singapore Branch, as its Financial Adviser in relation to the Proposed Transaction.

1.6 Independent Financial Adviser

Deloitte & Touche Corporate Finance Pte Ltd has been appointed as Independent Financial Adviser ("IFA") to advise the Independent Directors on whether the Proposed Transaction is on normal commercial terms and is not prejudicial to the interests of the Company and/or the Minority Shareholders.

Please refer to **Appendix I** of this Circular for a copy of the IFA's letter to the Independent Directors.

2. SALIENT TERMS OF THE SPA & ANCILLARY AGREEMENTS

2.1 Conditions Precedent to the SPA

Completion of the Proposed Share Acquisition is conditional upon the fulfilment, or waiver by the Company, in writing, as the case may be, of the following conditions:

- (a) the approval of the Minority Shareholders for the acquisition of the SIL Shares, the execution of the Ancillary Agreements, and the issue of the Consideration Shares having been obtained, at the Special General Meeting and the approval of the Board for the execution of the SPA, by the Company and the Ancillary Agreements by the relevant Group Company, as well as the issue and allotment of the Consideration Shares to the respective Sellers, in accordance with the terms of the SPA;
- (b) the in-principle approval of the SGX-ST for the listing and quotation of the Consideration Shares having been obtained and not being withdrawn or revoked, and, if such approval is subject to any condition(s) or restriction(s), such condition(s) or restriction(s) being reasonably acceptable to the Company and the Sellers, and being duly fulfilled or complied with;
- (c) the execution and performance of the SPA by the Company not being prohibited, restricted or otherwise adversely affected by any law, statute, order, directive or regulation promulgated by any legislative, executive or regulatory body or authority having jurisdiction over the matter;
- (d) the execution and performance of the SPA by each of the Sellers not being prohibited, restricted or otherwise adversely affected by any law, statute, order, directive or regulation promulgated by any legislative, executive or regulatory body or authority having jurisdiction over the matter;

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- (e) the results of the financial, legal, and business due diligence to be conducted by the Company and its professional advisers on SIL and each of the Target Entities, and the contents of the Disclosure Letter, if any, relating to SIL or such Target Entity, being satisfactory to the Company, provided always that the Company shall not be entitled to rely on this provision to terminate the SPA unless the aggregate value of the potential loss or damage from all relevant matters or issues arising in respect of any of the SDE Acquisition, the SDS Acquisition and/or the SOP Acquisition, as the case may be, is reasonably contemplated to amount to no less than five (5)% of the Base Consideration payable by the Company for the relevant acquisition;
- (f) save as disclosed in the Disclosure Letter, if any, all warranties relating to SIL and to each of the Target Entities being true and accurate and not misleading in any respect and there being no breach of any such warranties;
- (g) the SIL Restructuring (as further described in **Section 2.8** of this Circular) having been duly completed;
- (h) all necessary notifications having been submitted to the Bermuda Monetary Authority (“**BMA**”), and all necessary consents, approvals and/or confirmations, if any, having been obtained from the BMA (“**BMA Approval**”), in relation to the proposed transfer of the SIL Shares to the Company pursuant to and in compliance with the Bermuda Exchange Control Act;
- (i) all necessary notifications having been submitted to the Malaysia Digital Economy Corporation (“**MDeC**”), and all necessary consents, approvals and/or confirmations, if any, having been obtained from MDeC (“**MDeC Notification**”), in relation to the potential change in the shareholders of SDE and SOP, pursuant to the conditions or any change to the conditions of approval of SDE and SOP as Multimedia Super Corridor (“**MSC**”) Malaysia status companies, and MDeC not having issued any negative or adverse direction or response in relation to the MDeC Notification and, if any such direction or response is issued subject to any conditions or restrictions, such conditions or restrictions being acceptable to the Company;
- (j) the business of each Target Entity being conducted only in the ordinary course of business up to the Completion Date and there being no material adverse change (as determined by the Company in its reasonable discretion) to the business, assets, condition, operating results or operations of the relevant Target Entity;
- (k) each of the Target Entities having fully settled or discharged any loans, liabilities and/or obligations due and payable from or otherwise owing by it to GPO or his associates, including any GPO Affiliate, but excluding any loans, liabilities and/or obligations which fall or which will fall within the terms of any existing shareholders’ mandate for interested person transactions with effect from the Completion Date;
- (l) each of the Key Executives of each Target Entity (as further described in **Sections 3.1(b), 3.2(b) and 3.3(b)** of this Circular) having duly executed an undated, original copy of the service agreement with his applicable Target Entity, to be held by GPO pending Completion;
- (m) SPRINTS having executed an undated, original copy of the TSA to be entered into with each Target Entity, to be held by GPO pending Completion;

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- (n) SSTR having executed an undated original copy of the Symmetry Licence to be entered into with each Target Entity, to be held by GPO pending Completion; and
- (o) each of the Target Entities having set aside, or having access, on reasonable commercial terms, to such amount of readily available funds as may be necessary to enable it to meet its working capital requirements for at least two (2) months post-Completion (“**Working Capital Requirement**”), which amount shall in any case be no less than the amount specified below:
 - (i) SDE: RM3.4 million;
 - (ii) SDS: RM2.8 million; and
 - (iii) SOP: RM0.6 million.

If any of the above conditions is not fulfilled, or otherwise waived by the Company, in writing, prior to 19 April 2018, being the Long Stop Date, the Company shall be entitled, upon written notice to the Sellers, to forthwith terminate the SPA. As at the Latest Practicable Date, the conditions listed under paragraphs (c) to (f) and (j) above have been met.

2.2 Inter-Conditionality of Proposed Share Acquisition

Completion of the Proposed Share Acquisition is conditional upon the Company’s acquisition of all of the SIL Shares, SDE Minority Shares, SDS Minority Shares and SOP Minority Shares from the Sellers. If this condition is not fulfilled by 19 April 2018, or such other date as may be mutually agreed by the Parties in writing (“**Long-Stop Date**”), the SPA shall forthwith terminate.

2.3 Consideration for Proposed Share Acquisition

The Consideration for the Proposed Share Acquisition shall be satisfied by the Company paying the Sellers:

- (a) a base consideration component (“**Base Consideration**”), as further described in **Sections 2.4 to 2.5** of this Circular; and
- (b) an earn-out consideration component (“**Earn-Out Consideration**”), as further described in **Sections 2.6 and 2.7** of this Circular,

comprising, in each case, an agreed multiple of the NPAT of the relevant Target Entity over the period from 1 January 2016 to 30 June 2020, subject to certain adjustments (“**Adjusted NPAT**”), wherein the NPAT for this purpose comprises the net profit after tax of the relevant Target Entity that is:

- (i) derived from and/or otherwise attributable to its existing business operations as at the date of the SPA and/or any business operations reasonably related or ancillary thereto;
- (ii) derived from or relates to any business activity reflected in the approved business plan of the relevant Target Entity; and/or
- (iii) otherwise expressly agreed to by the Company or its Investment Committee, in writing, from time to time.

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For the avoidance of doubt, the Adjusted NPAT is intended to be limited to gains arising from the ordinary business operations of the Target Entities and to exclude any gains or losses arising from a disposal of fixed assets, subsidiaries or associated companies and/or goodwill or other intangibles outside the ordinary course of business operations.

The agreed multiples to be applied for each Target were negotiated and arrived at after taking into account the multiples of industry comparables and the operating track record and future growth potential of the relevant Target Entity.

2.4 Base Consideration

- (a) The Base Consideration for each Target Entity comprises an agreed multiple of the relevant Target Entity's Adjusted NPAT for the financial year ended 31 December 2016 ("**Target Entity FY2016**"), wherein the Adjusted NPAT comprises the NPAT of the relevant Target Entity for Target Entity FY2016 less certain costs and expenses which were directly attributable to the relevant Target Entity's operations prior and up to Completion but were not recognised in the relevant Target Entity's profit & loss statement for the relevant period ("**Deductibles**"), as further described below:
- (i) the Base Consideration for the SDE Acquisition is RM93,893,801, being 11 times SDE's Adjusted NPAT of approximately RM 8,535,800 for Target Entity FY2016 ("**SDE Base Consideration**");
 - (ii) the Base Consideration for the SDS Acquisition is RM46,587,566, being 8 times SDS' Adjusted NPAT of approximately RM 5,823,446 for Target Entity FY2016 ("**SDS Base Consideration**"); and
 - (iii) the Base Consideration for the SOP Acquisition is RM14,434,352, being 8 times SOP's Adjusted NPAT of approximately RM 1,804,294 for Target Entity FY2016 ("**SOP Base Consideration**").
- (b) The above agreed multiples for the Base Consideration were negotiated and arrived at after taking into account the multiples of industry comparables and the operating track record and future growth potential of each Target Entity. As set out in **Sections 3.1(a), 3.2(a) and 3.3(a)** of this Circular, although each Target Entity broadly operates within the software industry, each Target Entity owns and operates different types of software, each having distinct functionality and application, and each Target Entity is considered to have different future growth potential.
- (c) The aggregate Base Consideration is RM154,915,719, or approximately S\$49,776,916 (applying the exchange rate of S\$1:RM3.1122, as set out in the Announcement).

2.5 Settlement of Base Consideration

- (a) The Base Consideration shall be satisfied by the Company's issue of Shares, at the Agreed Issue Price, of S\$0.71 per Share, to the Sellers, or their respective nominee, in proportion to each Seller's respective shareholding interest in the relevant Target Entity.
- (b) The Base Consideration Shares shall rank *pari passu* in all respects with the existing Shares, save that they will not rank for any dividend, distribution or other entitlement the Record Date of which falls before the Completion Date.

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- (c) The Agreed Issue Price represents a 20.18% premium to the volume weighted average price of Shares traded on the SGX-ST on 19 October 2017, being the market day preceding the date of the SPA, of S\$0.5908, and was negotiated in good faith and arrived at on a willing seller willing buyer basis, taking into account the parties' optimism in the longer-term benefits that the Proposed Transaction will bring to the Company. The higher price reduces the number of Consideration Shares that are required to be issued, which is less dilutive for the Minority Shareholders of the Company.
- (d) Based on the Agreed Issue Price, an aggregate of 70,108,333 Shares ("**Base Consideration Shares**") will be issued to the Sellers, to be attributable to each Target Entity and distributed amongst the Sellers as follows:
- (i) SDE Acquisition
- A total of 42,492,382 Shares will be issued, to be distributed in the proportion of 29,744,667 Shares to GPO and 12,747,715 Shares to CSC;
- (ii) SDS Acquisition
- A total of 21,083,571 Shares will be issued, to be distributed in the proportion of 14,758,500 Shares to GPO and 2,108,357 Shares to each of LEB, WHL and YCK;
- (iii) SOP Acquisition
- A total of 6,532,380 Shares will be issued, to be distributed in the proportion of 4,572,666 Shares to GPO and 653,238 Shares to each of LEB, WHL and YCK.
- (e) Completion of the issue of the Base Consideration Shares shall take place within ten (10) Business Days of the date that the last of the conditions precedent under the SPA have been fulfilled, or waived by the Company, as the case may be.

2.6 Earn-Out Consideration

- (a) The Earn-Out Consideration in respect of each Target Entity shall only be payable by the Company if the relevant Target Entity achieves an average year-on-year percentage growth ("**Average % Growth**"), in its Adjusted NPAT, over the period from 1 January 2017 to 30 June 2020 ("**Target Entity Growth Reference Period**"), i.e. comprising the following specific financial periods:
- (i) from 1 January 2017 to 30 June 2018, on an annualised basis ("**Target Entity FY2018**");
- (ii) from 1 July 2018 to 30 June 2019 ("**Target Entity FY2019**"); and
- (iii) from 1 July 2019 to 30 June 2020 ("**Target Entity FY2020**"),

of at least 25%, wherein the Adjusted NPAT in this case comprises the NPAT of the relevant Target Entity for the applicable Target Entity FY, less any Deductibles and an amount equal to 15% per annum of the cash value of any capital injected and/or funds advanced by the Group to the relevant Target Entity to help it meet its working capital and/or cash flow requirements for the applicable Target Entity FY ("**Cost of Funding**").

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The Deductibles comprise all costs and/or expenses directly attributable to a Target Entity's operations prior and up to Completion which have not been recognised in the relevant Target Entity's profit & loss statement for Target Entity FY2016 and Target Entity FY2018, as specified in Schedule 8 of the SPA and pro-rated where applicable for FY2018.

For the avoidance of doubt, the Adjusted NPAT is intended to be limited to gains arising from the ordinary business operations of the Target Entities and to exclude any gains or losses arising from a disposal of fixed assets, inventories, subsidiaries or associated companies and/or goodwill or other intangibles outside the ordinary course of business operations.

The NPAT in respect of each Target Entity for Target Entity FY2018, Target Entity FY2019 and Target Entity FY2020 will take into account any expenses incurred by the Target Entities in the course of their business operations, which includes the TSA charges. There will be no reduction in the NPAT in respect of each Target Entity for Target Entity FY2018, Target Entity FY2019 and Target Entity FY2020 for the Symmetry Licence, as there is no licence fee for the first ten (10) years, or any impairment of goodwill, as no goodwill will be recognised as the Company adopts the pooling of interest accounting treatment for the Proposed Share Acquisition. There will also be no adjustment to the Base Consideration if the Average % Growth rates become negative in respect of the financial periods for Target Entity FY2018, Target Entity FY2019 and Target Entity FY2020.

- (b) As mentioned in **Section 1.1** of this Circular, the Earn-Out Consideration is also subject to the Consideration Cap, wherein the aggregate Consideration payable by the Company shall not exceed 25% of the Company's market capitalisation as at the date of the SPA, based on the Agreed Issue Price of S\$0.71 per Share. For this purpose, the Consideration Cap is determined to be approximately S\$469.77 million, wherein the market capitalisation of the Company was arrived at by multiplying 2,646,617,600, being the number of issued Shares (excluding treasury shares) as at the date of the SPA, by the Agreed Issue Price of S\$0.71. Accordingly, the maximum Earn-Out Consideration is approximately S\$420.00 million, arrived at by deducting the Base Consideration of approximately S\$49.77 million from the Consideration Cap of S\$469.77 million.
- (c) Subject to the above, the Company shall pay the Sellers an Earn-Out Consideration in respect of each Target Entity, based on an agreed multiple of the average Adjusted NPAT of the relevant Target Entity over the Target Entity Growth Reference Period ("**Average Adjusted NPAT**"), as referred to below, less the applicable Base Consideration paid in respect of such Target Entity:

- (i) SDE Acquisition

Average % Growth	Earn-Out Consideration
Between 25% to 50%	11.0x Average Adjusted NPAT, less SDE Base Consideration
Above 50%	14.5x Average Adjusted NPAT, less SDE Base Consideration

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(ii) SDS Acquisition

Average % Growth	Earn-Out Consideration
Between 25% to 50%	10.0x Average Adjusted NPAT, less SDS Base Consideration
Above 50%	12.0x Average Adjusted NPAT, less SDS Base Consideration

(iii) SOP Acquisition

Average % Growth	Earn-Out Consideration
Between 25% to 50%	10.0x Average Adjusted NPAT, less SOP Base Consideration
Above 50%	12.0x Average Adjusted NPAT, less SOP Base Consideration

- (d) The above agreed multiples for the Earn-Out Consideration were negotiated and arrived at after taking into account the multiples of industry comparables and the operating track record and future growth potential of each Target Entity.
- (e) Where applicable, the Earn-Out Consideration shall be apportioned between the relevant Sellers in proportion to their respective shareholding interests in the relevant Target Entity.
- (f) The Sellers' entitlement to the Earn-Out Consideration, if any, will be determined as soon as practicable following the issuance of the audited financial statements of each of the Target Entities for Target Entity FY2020, provided always that the Company shall notify the Sellers of the results of the assessment within no later than seven (7) days of the issuance of the relevant audited financial statements ("**Company Notification**").
- (g) For purposes of determining the Sellers' entitlements under the Earn-Out Consideration, the closing S\$ to RM exchange rate quoted by Bloomberg on the Business Day immediately preceding the date of the Company Notification shall apply.
- (h) **Illustrative Earn-Out Consideration**

	Target Entity FY2016	Target Entity FY2018	Target Entity FY2019	Target Entity FY2020
Adjusted NPAT	NPAT 1	NPAT 2	NPAT 3	NPAT 4
Year-on-year growth percentage	-	$G1 = (NPAT\ 2 / NPAT\ 1) - 1$	$G2 = (NPAT\ 3 / NPAT\ 2) - 1$	$G3 = (NPAT\ 4 / NPAT\ 3) - 1$
Average % Growth	$= (G1 + G2 + G3) / 3$			
Average Adjusted NPAT	$= (NPAT\ 2 + NPAT\ 3 + NPAT\ 4) / 3$			
Earn-Out Consideration	$= \text{Average Adjusted NPAT} \times \text{earn-out consideration multiple}^{(1)} - \text{Base Consideration}$			

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Note:

- (1) The earn-out consideration multiple to be used is determined by the Average % Growth achieved by the Target Entities and the corresponding agreed multiples as disclosed in **Sections 2.6(c)(i), (ii) and (iii)** of this Circular.

(i) **Rationale for the Earn-Out Consideration Structure**

In consideration of the risk factors as disclosed in **Section 3.4** of this Circular, the Earn-Out Consideration structure allows for a portion of the Consideration to be determined at a later date based on the financial performance achieved by the Target Entities over the Target Entity Growth Reference Period, after having demonstrated continued financial performance and sustainability.

In addition, it is envisaged that the Earn-Out Consideration structure helps to align the interest of the Sellers in driving the financial performance of the Target Entities over the Target Entity Growth Reference Period post-completion of the Proposed Share Acquisition.

2.7 Settlement of Earn-Out Consideration

- (a) Each Seller entitled to any Earn-Out Consideration shall have the option of requiring the Company to effect the payment in cash ("**Cash Option**").
- (b) The relevant Seller may exercise the Cash Option by giving the Company written notice to that effect within no later than two (2) weeks of receipt of the Company Notification ("**Cash Option Exercise Period**"), failing which it will lapse.
- (c) If the Cash Option is exercised, the Company shall have up to six (6) months from the expiry of the Cash Option Exercise Period ("**Funding Period**") to source for and/or otherwise secure the necessary funds to make the full payment, provided always that the Company shall only be required to do so at reasonable cost and effort.
- (d) If the Company is able to source for or otherwise secure the necessary funds to make full payment within the Funding Period, the Company shall effect payment to the relevant Seller(s) within one (1) week of the funds becoming available.
- (e) If the Company is unable to source for and/or otherwise secure the relevant funds to make full payment within the Funding Period, the Company shall have the option of:
- (i) partially settling the Earn-Out Consideration, in cash, based on such funds as are readily available to the Company, to be distributed to the applicable Sellers, in proportion to their respective entitlements, within one (1) week of the expiry of the Funding Period; and
 - (ii) settling the balance portion of the Earn-Out Consideration in Shares, as described below.
- (f) If the Cash Option is not exercised by any entitled Seller or is exercised but the Company is unable to fully settle the relevant payment, the Company shall satisfy the the Earn-Out Consideration or balance Earn-Out Consideration, as the case may be, by the issue and allotment to the relevant Seller, or his nominee, of Shares ("**Earn-Out Consideration Shares**"), at the higher of the Agreed Issue Price or the average volume

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weighted average price of the Shares over the five (5) market days immediately preceding the date of the Company Notification, within two (2) weeks of the expiry of the Cash Option Exercise Period or the Funding Period respectively.

- (g) The Earn-Out Consideration Shares shall rank *pari passu* in all respects with the existing Shares, save that they will not rank for any dividend, distribution or other entitlement the Record Date of which falls before the date of the Company Notification.

Assuming the Consideration Cap applies, the maximum Earn-Out Consideration of approximately RM1,009.33 million (being the maximum Earn-Out Consideration of S\$420.00 million converted at the exchange rate of S\$1:RM3.1122 to RM1,307.12 million discounted by a weighted average cost of capital of 9.00% over a three (3) year period) would be recognised as a contingent consideration under the Group's liabilities which will reduce the Group's net asset value. Correspondingly, a negative merger reserve of approximately RM1,163.21 million would be recognised in the Group's equity, which will reduce the Group's net equity value to RM165.76 million. Please refer to **Section 5.3** of this Circular for more details.

To achieve the Consideration Cap, however, the Average Adjusted NPAT for SDE, SDS and SOP over the Target Entity Growth Reference Period would have to be approximately RM57.96 million, RM39.54 million and RM12.25 million respectively, and the cumulative NPAT of the Target Entities over a three (3) year period would in aggregate be approximately RM329.28 million. The historical adjusted NPAT for SDE FY2016, SDS FY2016 and SOP FY2016 is RM8.54 million, RM5.82 million and RM1.80 million respectively. Please refer to **Sections 3.1(c), 3.2(c) and 3.3(c)** of this Circular for more details.

As the aforesaid reduction in the Group's net equity value inherently arises as a result of the applicable accounting treatment and does not take into account the earnings of the Target Entities over the relevant period, the Company does not foresee that this will impact the Company's ability to source for the necessary funds to finance the payment of the Earn-Out Consideration to the Sellers.

Notwithstanding, as stated above, in the event the Company is unable to raise the relevant financing at reasonable cost and effort, the Company shall be entitled to settle any applicable Earn-Out Consideration in Shares.

2.8 SIL Restructuring

Aside from its shareholdings in the Target Entities, SIL currently holds other assets, i.e. in the form of shares in various other SPEs.

Under the SPA, GPO has undertaken to the Company that he will, as soon as practicable following the execution of the SPA, take all necessary steps, at his own cost, to procure that, as at Completion, SIL shall have:

- (a) fully divested all of its assets and/or business, save only for its shareholdings in the Target Entities;
- (b) fully satisfied, released and/or discharged all of its debts, liabilities and/or obligations, whether present or future and whether contingent or otherwise, including without limitation, contractual liabilities, profit guarantees, liabilities under any service agreements or employment contracts, liabilities to trade creditors, amounts, liabilities or

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obligations owing to any bank or other non-trade creditor, liabilities in respect of unpaid professional fees, product liabilities, warranty liabilities, liabilities under any claims, demands, causes of action, actions, suits or other proceedings (judicial, administrative, subject to arbitration or otherwise), liabilities under any judgment, tax liabilities; and

- (c) if required by the Company, closed and/or terminated all of its existing bank accounts and/or banking facilities on or before Completion, or otherwise approved the replacement of the existing authorised signatories for such accounts and/or facilities with authorised signatories nominated by the Company, effective immediate upon Completion,

i.e. with the intention that SIL will, on Completion, have no other assets or liabilities save for its shareholding interests in the Target Entities.

Pursuant to the SPA, GPO has also agreed to indemnify and hold the Company harmless against all losses, damages, costs (including legal costs on a full indemnity basis), claims, demands, proceedings and expenses which the Company may sustain, incur or pay by reason of any breach of the aforesaid undertakings on his part.

2.9 Parting Dividend

Subject to compliance with the Companies Act 2016 of Malaysia, each Target Entity may, prior to Completion, declare a special net dividend (“**Parting Dividend**”) of an amount not exceeding the aggregate of its cash and cash equivalents and its trade and other receivables collected prior to Completion, less the aggregate of its current trade and non-trade liabilities and Working Capital Requirement, all as based on its audited financial statements for Target Entity FY2016 and subject to satisfying its obligations under the conditions referred to in **Sections 2.1(k)** and **2.1(o)** of this Circular, using such cash and cash equivalents as of Completion.

Based on the audited accounts for Target Entity FY2016 and applying the abovementioned formula, only SDS may be entitled to declare a Parting Dividend of up to RM5.99 million, subject to the relevant conditions being met.

2.10 Non-Compete Undertakings

Under the SPA, each of GPO and the Minority Sellers have agreed and undertaken to the Company that, in conjunction with the Proposed Share Acquisition and with effect from Completion, they will not, directly or indirectly, either on their own account or in conjunction with or on behalf of any other person, firm or company:

- (a) engage or be concerned or interested in operating, performing and/or carrying on any business or activities (“**Competing Business**”) that are equivalent or similar to the businesses currently carried out or proposed to be carried out by the relevant Target Entity (“**Target Entity Business**”);
- (b) acquire or hold any interest in any company which is engaged in any Competing Business or which is directly or indirectly controlled by any person engaged in any Competing Business;
- (c) solicit or endeavour to entice away from dealing with the relevant Target Entity any person who was at any time a customer or supplier of such Target Entity; and/or

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- (d) hire, employ or endeavour to entice away from being hired or employed by the relevant Target Entity, any employee of such Target Entity, provided that nothing in this clause shall prevent any SPE (apart from the Target Entities) from hiring any person:
 - (i) whose employment with the relevant Target Entity was terminated by the relevant Target Entity; or
 - (ii) with the express written consent of the Company.

In addition, GPO has warranted and undertaken to the Company that, with effect from Completion, none of the SPEs (apart from the Target Entities) shall:

- (a) utilise or incorporate any of the words “*Digital Economy*” (as a whole), “*One Paradigm*”, “*Paradigm*” and/or “*Digitale*”, or any words similar thereto, as part of their company name; or
- (b) utilise or incorporate any of the words “*One Paradigm*” (as a whole) or “*Digitale*” otherwise in connection with their business operations.

2.11 Ancillary Agreements

The Ancillary Agreements, comprising the Symmetry Licence and the Transitional Services Agreement (“**TSA**”), involve different corporate entities which are not party to the SPA and the Company is desirous of continuing with the relevant arrangements post-Completion for continuity and to facilitate the operations of the Target Entities until the Company is in a suitable position to cease these arrangements. Further details of these agreements are set out below.

- (a) TSA

SPRINTS is a company incorporated in Malaysia on 19 March 2001, that is wholly owned by Mr. Goh Peng Ooi and his nominee. Its principal business is marketing of computer equipment and software, licensing of software, providing modifications, implementation and maintenance services.

SPRINTS has been providing various administrative, financial, IT infrastructure and/or operational support services (“**Services**”) to each of the Target Entities in connection with their on-going business operations.

In addition, SPRINTS has been and is currently allowing each of SDS and SOP (“**Property Arrangement**”) to occupy and utilise part of its office premises at G01 & G03, KPMG Tower, First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor, Malaysia, as office space, in consideration of the following monthly office rental payments (“**Monthly Office Rental**”):

- (i) a payment of RM12,600 per month by SDS to SPRINTS (for an area of 2,800 sq.ft., at RM4.50/sq.ft); and
- (ii) a payment of RM6,300 per month by SOP to SPRINTS (for an area of 1,400 sq.ft., at RM4.50/sq.ft).

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The landlord of the respective premises is a third party who is unrelated to GPO or the Target Entities or the Company, by way of director, CEO, substantial shareholder, or their respective associates.

The Monthly Office Rental is based strictly on the corresponding amount charged by this landlord to SPRINTS, without any markup. The Monthly Office Rental is, however, subject to proportionate increase in the event of any corresponding increase in the rental charged by the landlord of the premises to SPRINTS and/or the area of office space occupied by SDS and/or SOP, as the case may be.

It is a condition to Completion of the Proposed Share Acquisition under the SPA that SPRINTS executes a TSA with each of the Target Entities, agreeing to continue providing the Services to the relevant Target Entities, on the following terms:

- (i) the TSA shall continue for an initial period of six (6) months from the Completion Date and shall, at the option of the relevant Target Entity, exercisable upon giving written notice to SPRINTS to that effect, at least 30 calendar days prior to the expiry of the Initial Term, be renewable for a further period of six (6) months, on the same terms (save for the extension right) ("**Term**");
- (ii) in consideration of the provision of the Services, each of SDE and SDS shall pay SPRINTS a fee of RM15,000 per month and SOP shall pay SPRINTS a fee of RM10,000 per month, excluding office rental (collectively, the "**Charges**");
- (iii) the Charges shall be billed by SPRINTS at the end of each quarter, in arrears, and shall be payable by the relevant Target Entity within 30 calendar days of receipt of the invoice;
- (iv) the relevant Target Entity shall have the option, at any time during the Term, of terminating any or all of the Services, without further liability (but without affecting any accrued rights or liabilities of either Party), subject to giving SPRINTS at least one (1) month's written notice of its intention to do so;
- (v) if a Target Entity terminates any portion of the Services, it shall be entitled to a reasonable reduction in the Charges for the terminated Services, and the Parties agree to negotiate in good faith on the appropriate amount of such reduction;
- (vi) following the termination of the TSA or any of the Services or the expiry of the Term, as the case may be, SPRINTS agrees to provide the relevant Target Entity with reasonable support and assistance, in a timely and co-operative manner, to facilitate the transition of the Services and the return of all information of the relevant Target Entity in the possession or under the control of SPRINTS to the relevant Target Entity or any new service provider engaged by such Target Entity, including, without limitation, implementing any required migration activities;
- (vii) subject to the limitation provisions, SPRINTS shall indemnify and hold harmless the relevant Target Entity and its directors, officers and employees from and against any claims, loss, damage, costs (including legal fees on a full indemnity basis), expenses and/or other liability that they may suffer or incur as a result of any breach by the SPRINTS or any of its directors, officers, employees or authorised sub-contractors of any of SPRINTS' obligations under the TSA;

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(viii) the maximum liability of SPRINTS and its directors, officers, employees, agents or subcontractors to the relevant Target Entity and its directors, officers and employees, for any claims, loss, damage, costs (including legal fees on a full indemnity basis), expenses and/or other liability arising out of or relating to SPRINTS' engagement and/or performance of its obligations under the TSA shall in no case exceed the aggregate amount of Charges paid by the relevant Target Entity to SPRINTS prior to the date on which the relevant claim, liability or cause of action accrued, provided that nothing in the TSA shall operate to exclude or limit SPRINTS' liability for fraud, wilful misconduct, gross negligence, death or personal injury or any breach of its obligations relating to the protection of the relevant Target Entity's personal data, the use of the relevant Target Entity's intellectual property rights and/or its obligations of confidentiality arising from its own act, omission or negligence, or that of its directors, officers, employees, agents or subcontractors.

The TSA between SPRINTS and each of SDS and SOP also provides that:

- (i) in consideration of the continued payment by each of SDS and SOP of their respective Monthly Office Rental to SPRINTS, SPRINTS shall allow each of SDS and SOP to continue to occupy their current office premises throughout the Term, and, if so required by either SDS or SOP to execute a fresh agreement with each of SDS and SOP, on the same terms, for this purpose;
- (ii) notwithstanding any other provision of the TSA each of SDS and SOP may terminate the aforesaid arrangement at any time during the Term, without any further liability (but without affecting any accrued rights or liabilities of either Party), subject to giving SPRINTS at least one (1) month's written notice of its intention to do so.

Each of SDS and SOP have since commenced sourcing for alternative premises and expect to be able to secure the same prior to the expiry of the term of the TSA.

(b) Symmetry Licence

SSTR is the owner of the Symmetry Software, which comprises rules engines used to build agile solutions with minimal coding, programming and customisation. These rules engines provide users with self-service capabilities to define and modify business logics.

SSTR has been allowing the Target Entities a licence to use and exploit the Symmetry Software in connection with their respective business operations, including bundling and sub-licensing the use of the Symmetry Software to customers of the relevant Target Entity, together with the relevant Target Entity's own proprietary software. Other SPEs (apart from the Target Entities) are also concurrently using the Symmetry Software in connection with their own operations.

Both the Symmetry Software and the Target Entities' proprietary software are protected by copyright law in favour of SSTR and the relevant Target Entity respectively.

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In consideration of, *inter alia*, the Proposed Share Acquisition and each Target Entity's efforts and assistance in helping SSTR to market and promote the Symmetry Software, it is a condition to Completion of the Proposed Share Acquisition under the SPA that SSTR executes the Symmetry Licence with each of the Target Entities, pursuant to which, SSTR shall grant to each of the Target Entities a licence to Use (as defined in the Symmetry Licence) the Symmetry Software ("**Licence**"), on the following terms:

- (i) the Licence shall be non-exclusive, non-transferable, sub-licensable and on a licence and/or royalty free basis, in connection with all customers of the relevant Target Entity acquired prior to the expiry of ten (10) years from the Completion Date ("**Royalty Investment Period**") (note: the Royalty Investment Period is the period granted by SSTR to the Target Entities to freely exploit the Symmetry Software in connection with the Target Entity's operations and the Company will assess within this ten (10) year period whether it intends, following the expiry of the initial ten (10) year period, to pay for the Licence, on the terms as further described below, or to develop its own equivalent software internally or acquire such equivalent software from external sources);
- (ii) thereafter (if the Company decides to continue with the arrangement), the Licence shall continue on a non-exclusive, non-transferable, sub-licensable basis, subject to payment by the relevant Target Entity to SSTR of a licence and/or royalty fee amounting to 5%, for each of SDS and SOP, and 2%, for SDE, of the licence fee charged by the relevant Target Entity to any new customers acquired by it after the expiry of the Royalty Investment Period ("**New Clients**") for the Use of any software modules and/or components of the relevant Target Entity that incorporate the Symmetry Software ("**Licence Fee**"), subject to the following terms:
 - (A) the Licence Fee shall strictly be based on that portion of the licence fee charged by the relevant Target Entity to such New Clients in respect of those components and/or modules of the relevant Target Entity's software that actually incorporate or Use the Symmetry Software (note: both the Licence Fee and the differential in Licence Fees as between the various Target Entities were commercially negotiated and agreed by the parties based on an assessment of the relative importance of the Symmetry Software to the relevant Target Entity's operations and the relevant percentage was prescribed in Symmetry Licence to provide a baseline for any future imposition of the Licence Fee); and
 - (B) payment of the Licence Fee shall, in any event, be subject to the approval of the Shareholders, in so far as such approval may be required under Chapter 9 of the Listing Manual. Where necessary, prior to the expiry of the Royalty Investment Period, an extraordinary general meeting of the Company would be convened for the purposes of seeking Shareholders' approval for the payment of the Licence Fee;
- (iii) the relevant Target Entities shall have the right to carry out software development works in respect of the Symmetry Software, wherein all intellectual property rights arising in or to such software developments works shall vest in the relevant Target Party and may be exploited as it thinks fit, without the consent of SSTR;

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- (iv) if SSTR undertakes any development works in respect of the Symmetry Software, such works shall be deemed to form part of the Symmetry Software and shall be subject to the Licence;
- (v) SSTR undertakes to each Target Entity to:
 - (A) provide updates of the specifications for the Symmetry Software, as and when issued or created by SSTR; and
 - (B) fix all defects, bugs and/or errors arising in connection with the use of the Symmetry Software, at no charge;
- (vi) the relevant Target Entity shall be entitled to request SSTR, in writing, from time to time, to undertake, and, upon receipt of such request, SSTR agrees to undertake, within such reasonable timeline as the parties may agree, such enhancement works to the Symmetry Software ("**Enhancements**") as the relevant Target Entity may require, subject to such Target Entity paying SSTR a service fee for such Enhancements, based on the man-day rates specified in the Master Services Agreement, entered into between the Company and GPO, on 23 September 2008 ("**MSA**"), as may be revised from time to time in accordance with its terms, and provided that all intellectual property rights in or to any Enhancements shall vest in the relevant Target Entity (note: the MSA is between the Company and GPO and forms part of the general mandate for interested person transactions ("**IPT Mandate**") that the Company has been renewing at its annual general meetings ("**AGM**") since 2009, and which was last renewed at the Company's 2017 AGM. The MSA is valid for as long as GPO and his associates remains an interested person of the Company and the IPT Mandate is renewed by the Minority Shareholders);
- (vii) the Symmetry Licence shall continue in perpetuity unless:
 - (A) terminated by either party upon giving the other at least six (6) months' written notice after the expiry of the Royalty Investment Period;
 - (B) the relevant Target Entity becomes insolvent or goes into liquidation, in which event it shall automatically terminate;
 - (C) the relevant Target Entity breaches any of its obligations and fails to remedy the same within 30 days of receipt of notice to do so;
- (viii) termination of the Symmetry Licence will not extinguish or otherwise affect any licences granted by the relevant Target Entity to any of its customers prior to such termination or any accrued rights and/or liabilities of either Party.

The Audit Committee of the Company has reviewed the procedures in the existing IPT Mandate and confirms that the existing procedures and methods are sufficient to ensure that the existing interested person transactions as well as the new interested person transactions arising from the Proposed Transaction will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and the Minority Shareholders. The Audit Committee will continue to review all interested person transactions with any interested person to ensure that such interested person transactions are carried out on normal commercial terms and in accordance with the review procedures for interested person transactions as set out in the Company's Circular to Shareholders dated 2 October 2008.

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3. INFORMATION ON THE TARGET ENTITIES

3.1 SDE

(a) Background

SDE was incorporated in Malaysia on 8 November 2011, and granted MSC status in Malaysia by the MDeC on 9 March 2012.

SDE has designed and developed a proprietary digital banking platform, called the ‘*Silverlake Fintech Banking Platform*’ of the SDE Model Suites (“**Platform**”), that offers banking-as-a-service capabilities and seeks to provide a one-stop solution for banks seeking to transform from a traditional operating model to a digital operating model, to help them better compete against new Fintech competitors with lower cost-to-income ratios.

The Platform gives banks an accelerated and certain method of moving from a traditional operating model to a digital banking model with an emphasis on customer experience, service fulfilment and digitised processing by:

- (i) providing a unified and layered architecture of digitised business processes and technology to facilitate the delivery and fulfilment of a bank’s services and products (including customer on-boarding and authentication, digital marketing, product applications and packaging, customer analytics, collaboration, sales and services and account maintenance) to its customers;
- (ii) bridging multiple different physical channels (including smart automated teller machines, sales kiosks, contact centres, branches and retail outlets), digital channels (including relationship manager workbenches, mobile devices, consumer & corporate websites and social media) and market channels (including mobile payments, merchant point-of-sales and e-commerce transactions); and
- (iii) delivering an enhanced customer experience, with high-quality interaction, wide choices of products and services, consistent access and increased service personalisation.

The Platform works with both the Company’s proprietary Silverlake Axis Integrated Banking Solutions (“**SIBS**”) core-banking software, as well as other third-party core-banking software. The Platform is designed to support the transformation of full-service banks from a traditional to a digital operating model and the development of stand-alone digital banks. The Platform addresses the conventional and the Sharia-banking market, with a Sharia-compliant fulfilment module, to help banks automate and digitize their customer-onboarding and Sharia-financing origination processes.

SDE currently has three (3) banks in the region using its Platform, namely, Bank Islam Brunei Darussalam Berhad (Brunei), Commercial Bank International P.S.C. (United Arab Emirates) and People’s Bank (Sri Lanka).

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(b) Key Executive

Choo Soo Ching @ Cha Boo @ Choo Joo Di ("**CSC**") is the Key Executive of SDE.

She is a former banker, with a long career in Standard Chartered Bank ("**SCB**"), where she held a number of senior technology-related leadership roles in Malaysia, Singapore and the United Kingdom. In her role as Senior Programme Director of Asia for SCB, she was involved in implementing core banking and hubbing programmes across Asia. When she was SCB's Global Head of Technology Services, CSC was responsible for the provision of technology services for the bank group and managed the global outsourcing of data centre services for Asia Pacific region. Her later career in SCB was focused on re-engineering and transformation programme management with the intention of creating simplified, standardised solutions to enable the centralisation of banking, payment and credit card processing across Asia.

CSC left SCB in 2000 to pursue a software entrepreneurial opportunity which included the delivery of internet and mobile banking services to leading banks in Asia.

She then set up her own consultancy business and worked with various major ASEAN banks and institutions, focusing on business transformation, programme management and information technology strategy and architecture.

In 2011, CSC founded SDE together with GPO, with a view to creating transformational solutions for the banking industry, in a digital world. The Platform was built as a result of this vision and has been deployed in three (3) banks since 2015.

(c) Summary of Financial Information

A summary of SDE's historical financial information for financial years ended 31 December ("**SDE FY**") 2014, 2015 and 2016, and the 6 months period ended 30 June ("**SDE 6M**") 2016 and 2017 is set out below:

(RM)	SDE FY2014 (Audited)	SDE FY2015 (Audited)	SDE FY2016 (Audited)	SDE 6M2016 (Unaudited)	SDE 6M2017 (Unaudited)
Revenue	3,204,922	12,408,562	29,476,417	15,998,418	16,610,969
Gross Profit	1,859,444	7,860,500	14,622,545	7,739,945	10,860,064
Profit/(Loss) Before Tax ⁽¹⁾	(1,606,793)	4,621,909	11,067,526	5,675,275	8,612,081
Profit/(Loss) After Tax	(1,013,138)	4,621,909	11,006,090 ⁽²⁾	5,673,522	8,574,404

Notes:

- (1) The historical profits take into account the charges by SPRINTS for the provision of various administrative, financial and IT infrastructure and/or operational support service which are charged at rates similar to the costs prescribed under the TSA. The historical profits do not assume the payment of any licensing fees for the Symmetry Licence as the Licence was on a royalty free basis over the historical periods and the Company will continue to enjoy the Licence on a royalty free basis for the next 10 years from the Completion Date of the Proposed Share Acquisition.

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- (2) After taking into account staff and other expenses which would be taken on by SDE after completion of the SDE Acquisition, the adjusted profit after tax for SDE FY2016 is approximately RM8,535,800. The staff expense mainly relates to salaries of CSC and key personnel captured under a SPE other than SDE to which the relevant personnel were also providing services. Post-Completion, the relevant personnel will be working exclusively for SDE and their respective salary costs will be fully borne by SDE. Other expense relates mainly to marketing and travelling expense captured under a SPE other than SDE which are attributable to SDE.

SDE FY2014 vs SDE FY2015

Revenue

Revenue increased substantially by approximately RM9.2 million, or approximately 287%, from approximately RM3.2 million in SDE FY2014 to approximately RM12.4 million in SDE FY2015.

This increase was mainly due to the increase in revenue from software licensing and project services of approximately RM8.3 million. The main contributors to this increase were the securing of two major contracts for digital banking solutions from the banks in Brunei Darussalam and in United Arab Emirates respectively. The revenue from maintenance and enhancement services also saw an increase of approximately RM0.9 million.

Gross Profit

Gross profit increased significantly by approximately RM6.0 million, or approximately 323% from approximately RM1.9 million in SDE FY2014 to approximately RM7.9 million in SDE FY2015. This is in tandem with the substantial growth in revenue in SDE FY2015.

Gross profit margins improved from approximately 58% in SDE FY2014 to approximately 63% in SDE FY2015 as a result of SDE securing and delivering a higher value software licence and project services contract from a customer based in Brunei Darussalam during the financial year.

Profit after Tax

SDE registered a profit after tax of approximately RM4.6 million in SDE FY2015 from a loss after tax of approximately RM1.0 million in SDE FY2014, exhibiting an improvement in overall results of approximately RM5.6 million. The increase in profit after tax was mainly due to the 323% increase of gross profit recorded by SDE in SDE FY2015 as mentioned above.

Other income, consisting of gains/(losses) on foreign exchange, improved from a loss of approximately RM4,000 in SDE FY2014 to a gain of approximately RM150,000 in SDE FY2015.

Operating expenses decreased by approximately RM76,000 largely as a result of the reduction in traveling and marketing expenses in SDE FY2015. This was offset by a marginal increase in staff costs and an increase in financing cost.

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Taxation comprises withholding taxes and income taxes. SDE is, however, enjoying Pioneer Status incentives pursuant to its MSC status. Therefore, taxation for SDE FY2014 and SDE FY2015 consists only withholding taxes. There was a reversal of deferred taxation amounting to approximately RM0.6 million in SDE FY2014 owing to an overprovision in the prior financial year.

SDE FY2015 vs SDE FY2016

Revenue

Revenue increased by approximately RM17.1 million, or approximately 138%, from approximately RM12.4 million in SDE FY2015 to approximately RM29.5 million in SDE FY2016.

The continued growth was attributable to the increase in revenue from software licence and project services of approximately RM16.9 million. The main contributors for this substantial increase were the on-going delivery of two major contracts secured from the banks in United Arab Emirates and in Sri Lanka during the financial year. The revenue from maintenance and enhancement services saw a marginal increase of approximately RM0.2 million.

Gross Profit

Gross profit increased by approximately RM6.7 million or approximately 86% from approximately RM7.9 million in SDE FY2015 to RM14.6 million in SDE FY2016. This is in tandem with the increase in revenue in SDE FY2016.

Gross profit margins, however, reduced from approximately 63% in SDE FY2015 to approximately 50% in SDE FY2016. This is due to delays in the implementation of projects by the customers resulting in higher cost borne by SDE.

Profit after Tax

Profit after tax increased by approximately RM6.4 million or approximately 138%, from approximately RM4.6 million in SDE FY2015 to approximately RM11.0 million in SDE FY2016. The increase in profit after tax was mainly due to the increase in gross profit of approximately RM6.7 million.

Net operating expenses increased by approximately RM0.3 million, largely as a result of the higher marketing expenses, office and other expenses, and software amortisation cost which was offset by a gain on foreign exchange, marginal decrease in staff and financing costs in SDE FY2016.

Taxation for SDE FY2016 amounted to approximately RM61,000 being income tax under-provided for in the prior year.

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SDE 6M2016 vs SDE 6M2017

Revenue

Revenue for SDE 6M2017 showed an increase of approximately RM0.6 million or approximately 4%, increasing from approximately RM16.0 million in SDE 6M2016 to RM16.6 million in SDE 6M2017.

The lower growth is attributable to emphasis being placed on delivering the existing projects on hand. The main contributors to the revenue in SDE 6M2017 are the on-going projects awarded in Brunei, Sri Lanka and United Arab Emirates in the previous financial year.

Gross Profit

Gross profit increased by approximately RM3.1 million or approximately 40% from approximately RM7.7 million in SDE 6M2016 to approximately RM10.9 million in SDE 6M2017.

Gross profit margins improved from approximately 48% in SDE 6M2016 to approximately 65% in SDE 6M2017. This is largely due to the lower project delivery costs for clients.

Profit after Tax

Profit after tax increased by approximately RM2.9 million or approximately 51%, from approximately RM5.7 million in SDE 6M2016 to approximately RM8.6 million in SDE 6M2017. The increase in profit after tax was mainly due to the increase in gross profit of approximately RM3.1 million.

Net operating expenses increased by approximately RM0.2 million mainly due to the increases in foreign exchange loss, staff and amortisation costs in SDE 6M2017 which was offset by a decrease in marketing and traveling costs.

A summary of the balance sheet of SDE as at 31 December 2016 and 30 June 2017 is set out below:

(RM)	As at 31 December 2016 (Audited)	As at 30 June 2017 (Unaudited)
<u>Assets</u>		
Non-current assets	9,522,483	11,846,981
Current assets	8,017,790	22,308,273
Total assets	17,540,273	34,155,254

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(RM)	As at 31 December 2016 (Audited)	As at 30 June 2017 (Unaudited)
<u>Liabilities</u>		
Non-current liabilities	120,502	102,507
Current liabilities	5,727,073	13,785,645
Total Liabilities	5,847,575	13,888,152
Net Asset Value⁽¹⁾	11,692,698	20,267,102
Total Equity	11,692,698	20,267,102
Net Tangible Asset	2,534,749	8,705,052

Note:

- (1) Based on the parting dividend formula disclosed in **Section 2.9** of this Circular, nil parting dividend may be declared by SDE. Accordingly, no adjustment will be made to the net asset value of SDE.

Non-current assets

The non-current assets comprised mainly:

- Property, plant and equipment of approximately RM0.4 million and RM0.3 million as at 31 December 2016 and 30 June 2017 respectively; and
- Software development expenditure of approximately RM9.1 million and RM11.6 million as at 31 December 2016 and 30 June 2017 respectively. The increase in software development expenditure was mainly due to the capitalisation of staff costs relating to the development of the SDE Model Suites.

Current assets

The current assets comprised mainly:

- Trade and other receivables of approximately RM0.9 million and RM8.3 million as at 31 December 2016 and 30 June 2017 respectively. The increase in trade and other receivables was mainly due to billings issued to a customer based in United Arab Emirates;
- Amount due from customers on contracts of approximately RM5.1 million and RM4.3 million as at 31 December 2016 and 30 June 2017 respectively. The decrease in the amount due from customers on contracts was mainly due to the completion of two contracts in SDE 6M2017; and
- Cash and cash equivalents of approximately RM2.0 million and RM9.7 million as at 31 December 2016 and 30 June 2017 respectively. The increase in cash was mainly due to a loan extended by a director and the collections from customers.

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Non-current liabilities

Non-current liabilities comprised of hire purchase loan of a motor vehicle.

Current liabilities

Current liabilities comprised mainly:

- Amount due to customers on contracts of approximately RM0.3 million and RM0.6 million as at 31 December 2016 and 30 June 2017 respectively. The slight increase in amount due to customers on contracts was mainly due to timing differences relating to income recognition and revenue billing;
- Trade and other payables of approximately RM4.7 million and RM6.1 million as at 31 December 2016 and 30 June 2017 respectively. The increase in trade and other payables was mainly due to billings relating to sub-contractor's maintenance contract, shared services, office rental and computer leasing;
- Amount due to a director of approximately RM0.7 million and RM6.0 million as at 31 December 2016 and 30 June 2017 respectively. The increase in amount due to a director was mainly due to an interest-free and unsecured loan extended by a director for working capital purposes; and
- Deferred income of approximately RM28,000 and RM1.0 million as at 31 December 2016 and 30 June 2017 respectively. The increase in deferred income was mainly due to the maintenance fees billed in advance to the customers during SDE 6M2017.

Total Equity

Total equity comprised mainly:

- Share capital of approximately RM0.1 million as at 31 December 2016 and 30 June 2017; and
- Retained earnings of approximately RM11.6 million and RM20.2 million as at 31 December 2016 and 30 June 2017 respectively. The increase in retained earnings was due to the profit after tax of approximately RM8.6 million recognised in SDE 6M2017.

3.2 SDS

(a) Background

SDS was incorporated in Malaysia on 22 January 1996, and commenced its current business activities in June 2013⁽¹⁾.

SDS has designed and developed a suite of payment solution-related software modules and components, called '*IntelliSuite*', that is targeted at financial institutions and emerging non-bank payment providers and aims to provide faster and more innovative solutions, across the consumer/retail and wholesale/corporate payment spectrums.

Note:

- (1) The date that SDS commenced its current business activities was inadvertently stated as July 2015 in the Announcement, when it should be June 2013.

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Some of the *'IntelliSuite'* solutions and capabilities include the following:

(i) *'IntelliPayz'* solution suite:

This solution suite relates to consumer lifestyle and retail payments. It comprises a suite of modular and diversified payment products solutions under a single platform which converges with digital technology to offer mobile wallet payments (namely Google Pay, Apple Pay, AliPay, Wechat Pay, Samsung Pay, *et cetera*), social payments, and person-to-person payments. It can be extended into future digital payment ecosystems. *'IntelliPayz'* uses an agile and intelligent rules-based engine to offer the capabilities for loyalty management, pricing management, payment fraud monitoring, *et cetera*. All the payment services utilise the web application programming interface ('**API**') and are compatible with various digital channels. *'IntelliPayz'* solution also utilises digital security functionalities such as biometric authentication and tokenisation. This solution suite integrates and complies with the digital payment switch, namely, MasterCard Digital Enablement Service (MDES) and Visa Digital Enablement Program (VDEP).

(ii) *'IntelliHubz'* solution suite:

This solution suite relates to business-to-business ('**B2B**') payment solution that facilitates financing and payments amongst buyers, sellers and financial institutions. It uses an agile and intelligent rules-based engine to offer buyer and seller loyalty and campaign management, buyer and seller pricing management, order and fulfilment transaction tracking and monitoring. The B2B payments services utilise web API and are compatible with various digital channels. *'IntelliHubz'* also comes with a buyer and seller portal to enable self-service functionalities. This solution comes with an integrated B2B payment switch to facilitate financial payments between buyers and sellers and to expand the B2B ecosystem of the financial institutions.

(iii) *'IntelliSwitchz'* solution suite:

This solution suite comprises a regional payment switch to facilitate end-to-end cross-border payment transactions. It is embedded with rule-based capabilities for flexible switching and routing as well for performance and fraud monitoring. All the regional payment services utilise web API and are compatible with various digital channels and regional member banks. *'IntelliSwitchz'* also comes with regional hub management to support both financial and non-financial back-office capabilities.

SDS' end-customers include Krungthai Card PCL ("**KTC Thailand**"), OCBC Bank (Malaysia) Berhad, CIMB Bank Berhad ("**CIMB Bank**"), Hong Leong Bank Berhad ("**Hong Leong Bank**"), Bank Islam Malaysia Berhad ("**Bank Islam**"), Bank Muamalat Malaysia Berhad ("**Bank Muamalat**") and Commercial Bank International PSC.

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(b) Key Executive

Lim Ep Ban (“**LEB**”) is the Key Executive of SDS.

He has over 30 years of experience in the field of information technology, during which period he has managed and implemented more than 50 core banking, payment and provident fund projects.

LEB spent 13 years in the United States and worked as a technical consultant with Whittman-Hart, a company based in Chicago, Illinois, before returning to Malaysia in 1993 to join Silverlake Private Entities. Since then he has executed several large-scale transformation programmes for a number of banks and financial institutions in the region. These include UOB’s core banking and regional hubbing transformation, OCBC’s programme to standardise and integrate its core banking system across Singapore and Malaysia, and CIMB’s regional core banking system across Malaysia, Indonesia, Singapore and Thailand. He was also Programme Director for the core system transformation of the Employee Provident Fund of Malaysia.

In 2013 and 2015 respectively, LEB and his associates collaborated with GPO to operationalise SDS and SOP to provide innovative digital solutions in both banking and non-banking sectors. Today SDS’ ‘*IntelliSuite*’ and SOP’s ‘*NowSuite*’ end-customers include several established financial institutions in the region.

LEB holds a Master of Science Degree with a major in Management Information Systems from the Graduate School of Southern Illinois University, USA, and a Bachelor of Science Degree (High Honors) from the School of Business of the Southern Illinois University, USA.

(c) Summary of Financial Information

A summary of SDS historical financial information for financial years ended 31 December (“**SDS FY**”) 2014, 2015 and 2016 and the 6 months period ended 30 June (“**SDS 6M**”) 2016 and 2017 is set out below:

(RM)	SDS FY2014 (Audited)	SDS FY2015 (Audited)	SDS FY2016 (Audited)	SDS 6M2016 (Unaudited)	SDS 6M2017 (Unaudited)
Revenue	2,488,802	13,777,172	19,723,335	11,141,618	13,483,878
Gross Profit	839,223	6,783,455	11,111,174	7,643,563	7,793,773
Profit Before Tax ⁽¹⁾	416,187	5,288,075	8,031,249	6,446,865	4,687,691
Profit After Tax	428,104	3,597,504	6,477,013 ⁽²⁾	5,851,352	4,106,013

Notes:

- (1) The historical profits take into account the charges by SPRINTS for the provision of various administrative, financial and IT infrastructure and/or operational support services which are charged at rates similar to the costs prescribed under the TSA. The historical profits do not assume the payment of any licensing fees for the Symmetry Licence as the Licence was on a royalty free basis over the historical periods and the Company will continue to enjoy the Licence on a royalty free basis for the next ten (10) years from the Completion Date of the Proposed Share Acquisition.

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- (2) After taking into account staff expense which would be taken on by SDS after completion of the SDS Acquisition, the adjusted profit after tax for SDS FY2016 is approximately RM5,823,446. The staff expense mainly relates to LEB's remuneration captured under a SPE other than SDS to which LEB was also providing services. Post-Completion, LEB will be working exclusively for SDS and SOP and his aggregate salary cost will be fully borne by SDS and SOP in equal proportions.

SDS FY2014 vs SDS FY2015

Revenue

Revenue increased by approximately RM11.3 million or approximately 454% from approximately RM2.5 million in SDS FY2014 to approximately RM13.8 million in SDS FY2015. The increase was mainly due to increases from all lines of revenue which comprises customised solutions, software enhancement and maintenance of approximately RM7.4 million, RM2.7 million and RM1.1 million respectively.

The main contributors to the increase in customised solution services and software enhancement services revenues were due to contracts for payment solutions with banks in Malaysia and Thailand.

Gross Profit

Gross profit increased by approximately RM5.9 million or approximately 708% from approximately RM0.8 million in SDS FY2014 to approximately RM6.8 million in SDS FY2015. The increase was in tandem with the increase in revenue.

Gross profit margins improved from approximately 34% in SDS FY2014 to approximately 49% in SDS FY2015 largely as a result of improved margins on software enhancement and maintenance services.

Profit After Tax

Profit after tax increased by approximately RM3.2 million or approximately 741% from approximately RM0.4 million in SDS FY2014 to approximately RM3.6 million in SDS FY2015. The increase in profit after tax was mainly due to the increase in gross profit of approximately RM5.9 million which was offset by the increase of net operating expenses of approximately RM1.1 million.

The net operating expenses increased mainly due to the increase in staff and other costs in SDS FY2015.

Taxation comprises withholding taxes and income taxes. Taxation expense increased by approximately RM1.7 million in SDS FY2015, mainly arising from approximately RM1.3 million in income taxes and approximately RM0.3 million in withholding taxes.

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SDS FY2015 vs SDS FY2016

Revenue

Revenue increased by approximately RM5.9 million or approximately 43% from approximately RM13.8 million in SDS FY2015 to approximately RM19.7 million in SDS FY2016. The increase was mainly due to increases in customised software solutions, software enhancement and maintenance services of approximately RM1.0 million, RM2.6 million and RM2.3 million respectively.

The main contributors to the increase in software enhancement and maintenance revenues were due to contracts with a non-banking financial institution in Malaysia and a bank in Singapore.

Gross Profit

Gross profit increased by approximately RM4.3 million or approximately 64% from approximately RM6.8 million in SDS FY2015 to approximately RM11.1 million in SDS FY2016. The increase was in tandem with the increase in revenues.

Gross profit margins improved from approximately 49% in SDS FY2015 to approximately 56% in SDS FY2016 largely as a result of improved margins on customised software solutions services.

Profit After Tax

Profit after tax increased by approximately RM2.9 million or approximately 80% from approximately RM3.6 million in SDS FY2015 to approximately RM6.5 million in SDS FY2016. The increase in profit after tax was mainly due to the increase in gross profit of approximately RM4.3 million which was offset by the increase of net operating expenses of approximately RM1.6 million.

The net operating expenses increased mainly due to the significant increase in staff headcount and cost in SDS FY2016 which was offset by foreign exchange gain of approximately RM0.3 million.

Taxation comprises withholding taxes and income taxes. Taxation expense decreased by approximately RM0.1 million mainly due to the overprovision of income tax in the prior year and offset by the increase in deferred tax.

SDS 6M2016 vs SDS 6M2017

Revenue

Revenue increased by approximately RM2.3 million or approximately 21% from approximately RM11.2 million in SDS 6M2016 to approximately RM13.5 million in SDS 6M2017. The increase was mainly due to increases in software enhancement and maintenance revenue of approximately RM2.0 million and RM0.4 million respectively. This was partially offset by a slight decline in customised software solutions services revenue of approximately RM0.1 million.

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Gross Profit

Gross profit increased by approximately RM0.2 million or approximately 2% from approximately RM7.6 million in SDS 6M2016 to approximately RM7.8 million in SDS 6M2017.

Gross profit margins declined from approximately 69% in SDS 6M2016 to approximately 58% in SDS 6M2017 largely as a result of reduced margins on customised software solutions and maintenance services.

Profit After Tax

Profit after tax decreased by approximately RM1.7 million or 30% from approximately RM5.9 million in SDS 6M2016 to approximately RM4.1 million in SDS 6M2017.

The decrease in profit after tax was mainly attributable to the increase in staff headcount and cost in SDS 6M2017, resulting in an increase in net operating expenses of approximately RM1.9 million.

A summary of the balance sheet of SDS as at 31 December 2016 and 30 June 2017 is set out below:

(RM)	As at 31 December 2016 (Audited)	As at 30 June 2017 (Unaudited)
<u>Assets</u>		
Non-current assets	2,303,385	3,455,833
Current assets	11,441,725	15,984,478
Total assets	13,745,110	19,440,311
<u>Liabilities</u>		
Non-current liabilities	472,467	472,467
Current liabilities	2,904,715	4,493,904
Total Liabilities	3,377,182	4,966,371
Net Asset Value⁽¹⁾	10,367,928	14,473,941
Total Equity	10,367,928	14,473,941
Net Tangible Asset	8,072,545	11,025,193

Note:

- (1) Based on the parting dividend formula disclosed in **Section 2.9** of this Circular, SDS may be entitled to declare a parting dividend of up to RM5.99 million, subject to the relevant conditions being met. Accordingly, the net asset value of SDS after being adjusted for the parting dividend of RM5.99 million, shall be approximately RM4.38 million as at 31 December 2016 and RM8.49 million as at 30 June 2017.

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Non-current assets

Non-current assets comprised mainly:

- Software development expenditure of approximately RM2.3 million and RM3.4 million as at 31 December 2016 and 30 June 2017 respectively. The increase in software development expenditure was mainly due to the capitalisation of staff cost relating to the development of existing and additional new '*IntelliSuite*' modules.

Current assets

Current assets comprised mainly:

- Trade and other receivables of approximately RM9.8 million and RM11.9 million as at 31 December 2016 and 30 June 2017 respectively. The increase in trade and other receivables was mainly due to recognition of unbilled revenue as at 30 June 2017, an advance made to SIL and billing for a new customer project in Thailand;
- Amount due from customers on contracts of approximately RM0.1 million and RM2.7 million as at 31 December 2016 and 30 June 2017 respectively. The increase in amount due from customers on contracts was mainly due to the timing difference relating to income recognition and billing which was raised after 30 June 2017 for a local project; and
- Cash and cash equivalent of approximately RM1.4 million as at 31 December 2016 and 30 June 2017.

Non-current liabilities

Non-current liabilities comprised:

- Deferred tax liabilities of approximately RM0.5 million as at 31 December 2016 and 30 June 2017.

Current liabilities

Current liabilities comprised mainly:

- Amount due to customer on contracts of approximately RM0.5 million and RM0.2 million as at 31 December 2016 and 30 June 2017 respectively. The slight decrease in amount due to customer on contracts was mainly due to timing differences relating to income recognition and revenue billing;
- Other payables of approximately RM2.3 million and RM3.8 million as at 31 December 2016 and 30 June 2017 respectively. The increase in other payables was mainly due to increase in the accrual of project costs, supplier billings relating to shared services, office rental, assets leasing and accruals relating to customers' contracts as at 30 June 2017; and

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- Deferred income of approximately RM0.1 million and RM0.5 million as at 31 December 2016 and 30 June 2017 respectively. The increase in deferred income was mainly due to the advance billing of yearly maintenance fees for the customers in Thailand during SDS 6M2017.

Total Equity

Total equity comprised mainly:

- Share capital of approximately RM24,000 as at 31 December 2016 and 30 June 2017;
- Share premium of approximately RM1.0 million as at 31 December 2016 and 30 June 2017; and
- Retained earnings of approximately RM9.3 million and RM13.5 million as at 31 December 2016 and 30 June 2017 respectively. The increase in retained earnings was due to profit after tax of approximately RM4.1 million recognised in SDS 6M2017.

3.3 SOP

(a) Information on SOP

SOP was incorporated in Malaysia on 25 August 1993 and commenced its current activities in July 2015. On 8 December 2015, SOP was also accorded MSC status by MDeC.

SOP has designed and developed a suite of agile and intelligent rules-based applications called '*NowSuite*'. '*NowSuite*' has been configured with proven industry specific rule models. '*NowSuite*' augments the core systems through its agile rules-based applications, which enable customers to be responsive to the dynamic changes of business requirements. Business users are able to self-define their business rules or criteria without depending on information technology to make coding changes to the core systems.

'*NowSuite*' provides flexibility for customers to implement enterprise functions across, *inter alia*, different users, products, accounts, processes and channels, speeding up time-to-market and helping customers achieve cost efficiencies in launching new loyalty programs, promotional campaigns, fraud monitoring models, service notifications, *et cetera*. As its rules-based application is able to support different industries, this opens up non-banking and cross industry opportunities.

SOP and SDS work closely with each other in connection with their respective operations and the delivery of their respective solutions and services to their customers. SOP's end-customers include Bank Islam, Bank Muamalat, Hong Leong Bank and KTC Thailand.

(b) Key Executive

Lim Ep Ban ("**LEB**") is also the Key Executive of SOP. Please refer to **Section 3.2(b)** of this Circular for more information on LEB's qualifications and experience.

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(c) Summary of Financial Information

A summary of SOP's historical financial information for financial years ended 31 December ("SOP FY") 2014, 2015 and 2016 and the 6 months period ended 30 June ("SOP 6M") 2016 and 2017 is set out below:

(RM)	SOP FY2014 (Audited)	SOP FY2015 (Audited)	SOP FY2016 (Audited)	SOP 6M2016 (Unaudited)	SOP 6M2017 (Unaudited)
Revenue	–	–	4,402,841	2,612,070	1,038,267
Gross Profit	–	–	3,768,285	2,436,390	636,897
Profit/(Loss) Before Tax ⁽¹⁾	(2,072)	(135,241)	2,630,102	2,129,747	(154,886) ⁽³⁾
Profit/(Loss) After Tax	(2,072)	(135,241)	2,607,830 ⁽²⁾	2,129,747	(179,088) ⁽³⁾

Notes:

- (1) The historical profits take into account the charges by SPRINTS for the provision of various administrative, financial and IT infrastructure and/or operational support services which are charged at rates similar to the costs prescribed under the TSA. The historical profits do not assume the payment of any licensing fees for the Symmetry Licence as the Licence was on a royalty free basis over the historical periods and the Company will continue to enjoy the Licence on a royalty free basis for the next 10 years from the Completion Date of the Proposed Share Acquisition.
- (2) After taking into account staff expense which would be taken on by SOP after completion of the SOP Acquisition, the adjusted profit after tax for SDS FY2016 is approximately RM1,804,294. The staff expense mainly relates to LEB's remuneration captured under a SPE other than SOP to which LEB was also providing services. Post-Completion, LEB will be working exclusively for SOP and SDS and his aggregate salary cost will be fully borne by SOP and SDS in equal proportions.
- (3) The loss before tax of RM154,886 and loss after tax of RM179,088 were mainly due to delays in the commencement of a project and contracts to be awarded. With Bank Negara Malaysia setting up Payments Network Malaysia Sdn Bhd ("PayNet") since July 2017 to take over Malaysia's shared payments infrastructure operations and accelerate the migration to new payment channels, management of SOP is of the view that it is well positioned to introduce their innovative product suite to meet the national initiative of implementing a real-time payment platform which has to be complied by all Malaysian banks.

SOP FY2014 vs SOP FY2015

Revenue

SOP only commenced its business activities from July 2015. Accordingly, there was no revenue recorded in both SOP FY2014 and SOP FY2015.

Gross Profit

SOP only commenced its business activities from July 2015. Accordingly, there was no gross profit recorded in both SOP FY2014 and SOP FY2015.

Loss After Tax

SOP only commenced its business activities from July 2015. The loss after tax of approximately RM0.1 million for SOP FY2015 was mainly due to the staff costs, rental of office in MSC designated building and fees for shared services for a period of six (6) months. The loss after tax of RM2,072 in SOP FY2014 relates mainly to the audit and corporate secretarial fee that SOP incurred as a dormant company.

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SOP FY2015 vs SOP FY2016

Revenue

Revenue increased by approximately RM4.4 million in SOP FY2016 following its business commencement in SOP FY2015. The increase was mainly due to customised software solutions revenue.

Gross Profit

Gross profit increased by approximately RM3.8 million in SOP FY2016. The increase was in tandem with the increase in revenue. Gross profit margin for SOP FY2016 stood at approximately 86%.

Profit After Tax

SOP achieved a profit after tax of approximately RM2.6 million in SOP FY2016 as compared to a loss after tax of approximately RM0.1 million in SOP FY2015. This was in line with the first year commercialisation of SOP's solution.

Operating expenses increased by approximately RM1.0 million mainly due to increase of staff costs following the increase in headcount from 2 employees in SOP FY2015 to 21 employees in SOP FY2016 and amortisation of software development costs.

Taxation comprises withholding taxes and income taxes. SOP is, however, enjoying Pioneer Status incentives pursuant to its MSC status. Taxation expense for SOP FY2016 is in relation to withholding tax.

SOP 6M2016 vs SOP 6M2017

Revenue

Revenue decreased by approximately RM1.6 million or approximately 60% from approximately RM2.6 million in SOP 6M2016 to approximately RM1.0 million in SOP 6M2017. The decrease was mainly due to delays in the commencement of a project and contracts to be awarded.

Gross Profit

Gross profit decreased by approximately RM1.8 million or approximately 74% from approximately RM2.4 million in SOP 6M2016 to approximately RM0.6 million in SOP 6M2017. The decrease was in tandem with the lower revenue.

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Profit/(Loss) After Tax

SOP achieved a loss after tax of approximately RM0.2 million in SOP 6M2017 as compared to a profit after tax of approximately RM2.1 million in SOP 6M2016. This was mainly due to delays in the commencement of a project and contracts to be awarded.

A summary of the balance sheet of SOP as at 31 December 2016 and 30 June 2017 is set out below:

(RM)	As at 31 December 2016 (Audited)	As at 30 June 2017 (Unaudited)
<u>Assets</u>		
Non-current assets	1,110,575	1,403,897
Current assets	2,029,024	1,859,940
Total assets	3,139,599	3,263,837
<u>Liabilities</u>		
Non-current liabilities	–	–
Current liabilities	885,548	1,188,874
Total Liabilities	885,548	1,188,874
Net Asset Value⁽¹⁾	2,254,051	2,074,963
Total Equity	2,254,051	2,074,963
Net Tangible Asset	1,143,476	671,065

Note:

(1) Based on the parting dividend formula disclosed in **Section 2.9** of this Circular, nil parting dividend may be declared by SOP. Accordingly, no adjustment will be made to the net asset value of SOP.

Non-current assets

Non-current assets comprised:

- Software development expenditure of approximately RM1.1 million and RM1.4 million as at 31 December 2016 and 30 June 2017 respectively. The increase in software development expense was mainly due to further development cost incurred on the existing and new 'NowSuite' modules.

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Current assets

Current assets comprised mainly:

- Trade and other receivables of approximately RM1.1 million and RM1.6 million as at 31 December 2016 and 30 June 2017 respectively. The increase is due to an advance made to SIL of approximately RM1.4 million which is offset by collections made from trade receivable of approximately RM1.0 million;
- Amount due from customers on contracts of approximately RM0.7 million as at 31 December 2016. There was no corresponding balance as at 30 June 2017. The decrease in amount due from customers on contracts was mainly due to the completion of all projects in SOP 6M2017; and
- Cash and cash equivalent of approximately RM0.2 million and RM0.3 million as at 31 December 2016 and 30 June 2017 respectively.

Non-current liabilities

There was no non-current liabilities as at 31 December 2016 and 30 June 2017.

Current liabilities

Current liabilities comprised mainly:

- Trade and other payable of approximately RM0.8 million and RM0.9 million as at 31 December 2016 and 30 June 2017 respectively; and
- Deferred income of approximately RM0.1 million and RM0.2 million as at 31 December 2016 and 30 June 2017 respectively.

Total Equity

Total equity comprised mainly:

- Share capital of approximately RM20,002 as at 31 December 2016 and 30 June 2017; and
- Retained earnings of approximately RM2.2 million and RM2.1 million as at 31 December 2016 and 30 June 2017 respectively.

3.4 Risk Factors

To the best of the Directors' knowledge and belief, all risks that are material to the Shareholders in making an informed decision regarding the Proposed Transaction are set out below. Shareholders should carefully consider and evaluate the following risk factors and all other information contained in this Circular before deciding whether to vote in favour of the Proposed Transaction at the Special General Meeting.

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Generally, the business of the Target Entities could be affected by risks which typically relate to the industries and country in which the Target Entities operate. Such risks may arise from, *inter alia*, economic, business, market and political factors, including the risks described below.

The risks described below are not intended to be exhaustive and there may be additional risks not presently known to the Company or which the Company may currently deem immaterial, which could materialise and have a material adverse effect on the business, results of operations, financial condition and prospects of the Target Entities.

Potential Impact of the Earn-Out Consideration

As set out in **Section 2.6** of this Circular, the Earn-Out Consideration in respect of each Target Entity is subject to the relevant Target Entity achieving the prescribed Average % Growth in its Adjusted NPAT over the prescribed Target Entity Growth Reference Period and, should they fail to do so, no Earn-Out Consideration shall be payable to the Sellers.

As set out in **Section 2.7** of this Circular, each Seller entitled to receive any Earn-Out Consideration has the option of requesting the Company to settle such Earn-Out Consideration in cash ("**Cash Option**"). If the Cash Option is exercised, the Company shall have a prescribed period to source for and/or otherwise secure the necessary funds to make the payment, provided always that the Company shall only be required to do so at reasonable cost and effort.

Purely for illustrative purposes, based on the audited consolidated financial statements of the Group for the financial year ended 30 June 2017 ("**FY2017**"), and assuming:

- (i) the Consideration Cap applies and the Earn-Out Consideration of approximately RM1,307.12 million is payable as at the end of the prescribed Target Entity Growth Reference Period;
- (ii) each Seller exercises the Cash Option in full;
- (iii) the Company uses its cash and cash equivalents and borrows any outstanding amount required to settle the Earn-Out Consideration;
- (iv) the minimum earnings of the Target Entities required to achieve the Consideration Cap are included;
- (v) the Group's earnings for the financial years ending 30 June 2018, 2019 and 2020 amount to approximately RM426.34 million, i.e. based on the profit after tax of the Group for FY2017, excluding related gains and losses on the disposal shares in Global InfoTech Co. Ltd., ("**GIT**") of RM142.11 million, multiplied by 3; and
- (vi) the Group's dividend payout ratio for the financial years ending 30 June 2018, 2019 and 2020 is 76% (i.e. comprising the average dividend payout ratio of the Group from FY2015 to FY2017), wherein the dividend payout ratio means the ratio of the total annual dividend to the profit after tax of the Group, excluding the minimum earnings of the Target Entities required to achieve the Consideration Cap,

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the financial effects of the payment of the Earn-Out Consideration in cash on the gearing of the Group are as follows:

	Before acquisition of Target Entities and payment of Earn-Out Consideration in cash	After acquisition of Target Entities and payment of Earn-Out Consideration in cash
Cash and cash equivalents (RM)	420,279,291	_(2)(3)(4)(5)
Total loans and borrowings (RM)	90,897,357	544,974,495 ⁽⁵⁾
Total equity (RM)	1,158,026,591	594,864,363 ⁽²⁾⁽³⁾⁽⁴⁾
Gearing ratio⁽¹⁾ (%)	7.8%	91.6% ⁽⁶⁾

Notes:

- (1) Gearing ratio means the ratio of the total loans and borrowings to the total equity of the Group.
- (2) Includes the minimum earnings of the Target Entities over the prescribed Target Entity Growth Reference Period required to secure the Consideration Cap which amounts to approximately RM329.28 million.
- (3) Assumes that the earnings of the Group for the financial years ending 30 June 2018, 2019 and 2020 amounts to approximately RM426.34 million. This is based on the profit after tax of the Group for FY2017, excluding related gains and losses on the disposal shares in Global InfoTech Co. Ltd., ("GIT") of RM142.11 million, multiplied by a period of 3 years.
- (4) Assumes a dividend payout ratio of 76% (average dividend payout ratio of the Group from FY2015 to FY2017) on the earnings of the Group (excluding the minimum earnings of the Target Entities) for the financial years ending 30 June 2018, 2019 and 2020. Dividend payout ratio means the ratio of the total annual dividend to the profit after tax of the Group.
- (5) Assumes the Group uses the cash and cash equivalents of approximately RM853.04 million and borrows the remainder RM454.08 million to pay the Earn-Out Consideration of RM1,307.12 million.
- (6) In the event of payment of the Earn-Out Consideration in cash, the Board will consider the optimal capital arrangements. It should also be noted that the Group has available-for-sale financial assets in relation to GIT shares which could be sold to raise cash in the event of payment of the Earn-Out Consideration in cash. If such GIT shares were sold at book value as at 30 June 2017 for approximately RM280.31 million, the gearing would be reduced to 44.5%.

Shareholders should note that the above assumptions were made solely for the purposes of illustrating the financial effects of the payment of the Earn-Out Consideration in cash on the gearing of the Group and should not be taken as an indication of the actual or prospective future financial performance and position of the Group following the Proposed Transaction or as a representation that such financial performance or position will be achieved.

Since the obligation on the part of the Company to pay the Earn-Out Consideration, if any, in cash (assuming the Cash Option is exercised) is subject to the Company being able to source for and/or otherwise secure the necessary funds at reasonable cost and effort, the Company does not view the Cash Option as a potential risk for the purposes of the Proposed Transaction.

However, if the Sellers do not exercise the Cash Option, or if they do but the Company is unable to source for the whole or any part of the Earn-Out Consideration at reasonable cost and effort, the Company will satisfy the outstanding portion by way of issue of Shares, i.e. at the higher of the Agreed Issue Price or the average volume weighted average price of the Shares over the five (5) market days immediately preceding the date of the Company's notification to the Sellers as to whether any Earn-Out Consideration is payable.

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In the event the whole or any part of the Earn-Out Consideration is satisfied via the issuance of Shares, there will be a dilution in shareholdings of all existing Shareholders (other than GPO) following the issuance of such Shares.

As set out in **Section 2.6(c)** of this Circular, Shareholders should also note that the Earn-Out Consideration for each Target Entity, if payable, is generally based on a multiple of the Average Adjusted NPAT of the relevant Target Entity, over the prescribed Target Entity Growth Reference Period, which is higher as compared to the multiple of the Adjusted NPAT for Target Entity FY2016 that was used to calculate the Base Consideration payable for the relevant Target Entity (i.e. save in the case of SDE, wherein, if SDE's Average % Growth is only between 25% to 50%, the applicable multiple for the Earn-Out Consideration payment shall remain at 11x of its Average Adjusted NPAT, over the Target Entity Growth Reference Period), as further summarised below:

(a) SDE

Base Consideration = 11x Adjusted NPAT for Target Entity FY2016;

Earn-Out Consideration = up to 14.5x Average Adjusted NPAT, over the prescribed Target Entity Growth Reference Period, less the applicable Base Consideration;

(b) SDS & SOP

Base Consideration = 8x Adjusted NPAT for Target Entity FY2016;

Earn-Out Consideration = up to 12x Average Adjusted NPAT, over the prescribed Target Entity Growth Reference Period, less the applicable Base Consideration.

In the event that the Earn-Out Consideration is satisfied in Shares, the higher multiples used to calculate the Earn-Out Consideration would result in more Shares being issued to the Sellers and corresponding further dilution to the equity interests of the existing Shareholders, other than GPO.

The business of the Target Entities may be affected by the inability to protect or enforce their intellectual property rights

The business of the Target Entities is highly dependent on their proprietary software and may be affected by an inability to protect or enforce their intellectual property rights. The Target Entities rely on trademarks, trade secrets and copyrights, as well as licence agreements and other contractual provisions, to protect their intellectual property and other proprietary rights.

There is no assurance that the steps or means taken by the Target Entities to protect their intellectual property rights and other proprietary rights, including registering and/or applying for registration of their trademarks, and confidentiality agreements with employees and developers are adequate to protect the intellectual property they currently own or may develop in the future.

Confidentiality agreements with the Target Entities' customers, employees, licensees, independent contractors and other advisors may not effectively prevent disclosure of confidential information, including trade secrets, and may not provide an adequate remedy in the event of unauthorised disclosure of confidential information.

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In addition, other parties may independently discover the Target Entities' trade secrets and proprietary information, in which case the Target Entities would not be able to assert any trade secret rights against such parties.

Third parties may also unlawfully pass-off the Target Entities' trademarks or services as their own intellectual property litigations for enforcement of the intellectual property rights and/or defending any infringement claims made against them could be costly and divert the attention of the management away from the day-to-day operations, which could have a material adverse effect on the business, financial condition, results of operations and prospects of the Target Entities.

The use of third party, in particular, "open source" software, could adversely affect the Target Entities' ability to offer their services and subject them to possible litigation

To the extent that the Target Entities' employees, contractors or other third parties with which they do business use intellectual property owned by others in their work for the Target Entities, disputes may arise as to the rights arising in related or resulting know-how and inventions.

In particular, the Target Entities use open source software in connection with their software development works and, from time to time, companies that use open source software have faced claims challenging the use of open source software and/or compliance with open source licence terms.

The Target Entities could be subject to suits by parties claiming ownership of what the Target Entities believe to be open source software, or claiming noncompliance with open source licensing terms. Some open source licences require users who distribute software containing open source to make available all or part of such software, which in some circumstances could include valuable proprietary code of the user.

Whilst the Target Entities monitor the use of open source software and try to ensure that none is used in a manner that would require them to disclose their proprietary source code or that would otherwise breach the terms of an open source agreement, such use could inadvertently occur, in part because open source licence terms are often ambiguous.

Any requirement to disclose the Target Entities' proprietary source code or pay damages for breach of contract could be harmful to the Target Entities' business, results of operations or financial condition, and could help their competitors develop products and services that are similar to or better than those of the Target Entities.

The Target Entities may not be able to compete effectively with its competitors

The Target Entities operate in a highly competitive industry and face intense competition in their business, as the software solutions provider industry is characterised by the continuous roll-out of new products and technological infrastructure. The Target Entities may not be able to compete effectively with competitors who have greater financial, technical and marketing resources, stronger public relations expertise and longer operating track records. These competitors may also have the ability to offer more competitive pricing, adapt quicker to new or emerging technologies, respond faster to changes in customer preferences and devote more resources to the promotion of their products and/or services than the Target Entities.

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If the Target Entities are unable to compete effectively and successfully against the new entrants and existing competitors, their business, financial condition, results of operations and prospects could be adversely affected.

The Target Entities may be affected by claims in respect of non-execution or delay in the execution of their customers' transactions

The business of the Target Entities involves the provision of fast and innovative banking, payment and digital solutions to their customers. In the event that the Target Entities are unable to deliver their services, or if there is a delay in executing customers' transactions, the Target Entities may be exposed to claims from their customers. If such claims are successful, the business, financial condition, results of operations and prospects of the Target Entities may be adversely affected.

In addition, any negative publicity (whether justified or not) or any adverse findings arising from such claims will have an adverse effect on the reputation of the Target Entities and may have a material adverse effect on their business, financial condition, results of operations and prospects.

The Target Entities may not be able to retain their Key Executives, software engineers and technology professionals

The success of each Target Entity is largely attributable to the contributions and expertise of its Key Executive, who has built the business of the relevant Target Entity. The continued success and growth of the Target Entities, in the near term, is dependent on the retention of the Key Executive and, in the mid-to-longer term, on the ability of the Target Entities to identify, groom and retain suitable successors. The loss of the services of the Key Executives, without suitable and timely replacement, or the inability to attract and retain potential successors, could have a material and adverse effect on the results of operations and financial condition of the Target Entities.

The Target Entities are also reliant on their team of software engineers and technology professionals to design code and algorithms necessary to the business of the Target Entities and the success of the Target Entities depends on their ability to continue to attract, motivate and retain such personnel.

Competition for well-qualified software engineers and technology professionals is intense both in Malaysia and abroad and we cannot ensure that we will be able to retain the services of our qualified personnel or to find adequate replacements in a timely and cost-efficient manner should they leave. Accordingly, the loss of qualified personnel by any Target Entity could materially adversely affect its ability to grow its business and execute its business plans.

The Target Entities may be affected by an economic downturn

The performance of the Target Entities may be affected by economic situation. In the event the economy experiences a downturn, whether globally or in any country in which the Target Entities undertake their business, including but not limited to Singapore and Malaysia, demand for information technology capital expenditure and the overall demand for information technology applications by the banking sector may decrease. This may result in lesser demand for products and services of the Target Entities. As such, the financial performance of the Target Entities may be adversely affected.

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The Target Entities may be subject to foreign currency exchange risks

The reporting currency of the Target Entities is in the RM, whilst a portion of their sales are denominated in the USD or other currencies of the countries that they operate in. Transactions in foreign currencies are recorded in the reporting currency of the Target Entities at the rates applicable on the dates of the transactions.

The Target Entities may also face a mismatch between the currency of their revenue and the currency of their purchases, expenses and debt, and this could expose them to fluctuations in foreign currency exchange rates arising from the difference in timing between the receipt and payment of funds. Any significant fluctuations in foreign currency exchange rates may materially and adversely affect business and performance of the Target Entities.

The Target Entities may face warranty claims and be subject to contractual disputes and claims

The Target Entities may provide a warranty period in respect of products and services provided to their customers. During this period, they may be required to rectify defects at no cost. If they are required to rectify defects during the warranty period which result in substantial additional costs being incurred by them, the profitability of the relevant project or contract might be reduced. The Target Entities may also provide contractual warranties and face disputes with their customers in relation to alleged breach of such warranties, and/or non-compliance with contract specifications. There can be no assurance that any such disputes and claims will not result in protracted litigation, which could have a negative impact on the operations and financial position of the Target Entities.

Changes in government legislations, regulations or policies in Singapore, Malaysia and overseas, may directly or indirectly affect the business of the Target Entities

Changes in government legislations, regulations or policies of countries in which the Target Entities undertakes their business may result in the Target Entities not being unable to provide their products and services or result in an increase in compliance costs. Such changes may also result in delays in procuring the necessary approvals, licences or certificates from the relevant government bodies, hence adversely affecting the operations of the Target Entities.

The Target Entities may be adversely affected by changes in social, economic or political conditions of the countries that they operate in

The results of operations and financial condition of the Target Entities may be materially and adversely affected by social, economic and political instability in the countries that they operate in. The imposition of tariffs, trade barriers, investment restrictions, barriers to repatriation of capital or profits, and variable and unexpected changes in laws of the countries in which they operate in may also adversely affect the business and financial condition of the Target Entities.

The business and future growth of the Target Entities are also dependent on the general economic condition and outlook, political and social stability and security of the countries that they as well as their customers operate in. The Target Entities have no control and can provide no assurance over such conditions and developments and any such changes that are detrimental to their business could adversely affect their operations, financial performance and future growth.

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4. RATIONALE FOR THE PROPOSED TRANSACTION

The Company's primary business is providing core banking software solutions. This is the back-end system that processes daily banking transactions and posts updates to accounts and other financial records, with interfaces to general ledger systems and reporting tools.

As set out in the Announcement, Financial technology (Fintech) is a broad sector, with a long history and, as far back as 1989, the Company had already endeavoured to start its own Fintech revolution, in South East Asia, by applying a 'mathematical core' approach to the banking industry and the Company has since grown to become the region's leading core-banking solution provider.

Recognising the need for continued innovation and evolution, the Company has, over the past seven (7) years, embarked on a journey of transformation by making a number of key investments, with a view to enhancing its digital economy offerings. These investments have contributed positively to the growth of the Company and enhanced its capabilities as a digital economy partner of choice.

Notably, the past three (3) years have seen rapid expansion of Fintech innovations and disruptions which are challenging traditional banks to be more agile, collaborative and open and, being acutely aware of these changes, the Company is seeking to advance its Fintech transformation journey "***From Software Provider to Innovation Accelerator***", by driving further synergies from its acquired businesses and identifying suitable potential acquisition targets.

As further detailed below, the Target Entities variously provide the front and middle layer to enhance the Company's digital capabilities. These layers are plugged into core banking systems to provide digital engagement and digital experience capabilities.

The Company currently does not hold any shares of the Target Entities and the proposed 100% acquisition of the Target Entities will allow the Company to consolidate the results of the Target Entities, which the Company has assessed based on their respective operating track records and future growth potential.

The proposed acquisition of the Target Entities is, accordingly, expected to enhance the Company's overall competitiveness in the current Fintech-era and expand its revenue, product offerings and markets.

4.1 SDE Acquisition

As stated earlier, SDE has designed and developed a digital banking platform, which provides a one-stop solution for banks seeking to transform from a traditional operating model to a digital banking model, helping them to better position themselves to compete against new Fintech entrants, with lower cost-to-income ratios.

SDE also has the capability of addressing the relatively large and untapped Sharia-banking market, with Sharia-compliance fulfilment modules, to help banks automate and digitise their customer-onboarding and Sharia-financing origination processes. Today, three (3) of the Company's customers have successfully integrated their SIBS core-banking solution to SDE's platform.

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SDE's enhanced digital capabilities and the existing close-working relationship between the Company and SDE, make this a compelling acquisition to strengthen the Company's position as an innovation accelerator business partner.

4.2 SDS and SOP Acquisitions

In the rapidly evolving Fintech world, most innovative start-ups can be classified into three (3) general categories, i.e. lending/payments, data-analytics and e-commerce eco-systems.

SDS operates in all three (3) of these areas. Since it commenced operations in 2013, SDS' *'IntelliSuite'* solutions have been continually evolving, in line with market requirements. In particular:

- (a) *'IntelliHubz'* manages B2B financing and payments;
- (b) *'IntelliSwitch'* is a payments switch with intelligent decision capabilities; and
- (c) *'IntelliPayz'* addresses the consumers' e-commerce eco-system.

With established regional banks as their existing customers, a good track record in payments-related transformation projects and an existing close-working relationship with the Company in integrating *'IntelliSuite'* to SIBS core banking solution, the acquisition of SDS will enhance the Company's ability to better deliver financial technology innovations.

SOP, which commenced operations in 2015, offers a rules-based solution, called *'NowSuite'*, that addresses the "now" aspects of customer bonuses, promotions, loyalty and incentives.

The *'NowSuite'* solution helps banks, retailers, airlines, telecoms and hospitality firms manage and enhance their real-time customer engagement processes and, using their unique rules engine solution, they can also work with card issuers and acquirers. Today, *'NowSuite'* is implemented in several of the Company's SIBS core banking customers to provide innovative value-add in customer engagement and product pricing.

SOP and SDS work closely with each other in their respective operations and customer delivery engagements.

4.3 Rationale for the Ancillary Agreements

SPRINTS has been providing various administrative, financial and/or operational support services, together with services reasonably ancillary or intrinsic thereto, to each of the Target Entities in connection with their on-going business operations. In addition, SDS and SOP have been leasing office premises from SPRINTS. With a view to enable the Target Entities to carry on their business as usual, it is intended that SPRINTS continue to provide the backend administration and support services to these Target Entities as well as to continue leasing the office premises to SDS and SOP, in accordance with the terms of the TSA.

SSTR is the owner of the Symmetry Software. SSTR is desirous of exploring new ways to add value to the Symmetry Software, as well as avenues for its commercial exploitation, whereas each of the Target Entities is desirous of developing the Symmetry Software together with proprietary products owned and developed by the Target Entities. As such, the entry into the Symmetry Licence between SSTR and each of the Target Entities will provide a good opportunity for SSTR and each of the Target Entities to collaborate.

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Overall, the Board is of the view that the Proposed Transaction will enable the Company to have a significantly larger financial technology platform with the scope, scale and operating leverage needed to strategically expand in an evolving market and strengthen its position as an innovation accelerator in the rapidly changing financial ecosystem.

5. FINANCIAL EFFECTS OF THE PROPOSED SHARE ACQUISITION

5.1 Bases and Assumptions

The financial effects of the Proposed Share Acquisition on the Group set out below are purely for illustrative purposes and may not reflect the actual effects of the Proposed Share Acquisition on the Group.

The *pro forma* financial effects have been prepared based on the following:

- (a) the audited consolidated financial statements of the Group for FY2017, being the most recently completed financial year of the Group;
- (b) the audited consolidated financial statements of the Target Entities, for Target Entity FY2016;
- (c) the Base Consideration, as fully satisfied in Shares; and
- (d) the assumption that the Consideration Cap⁽¹⁾ applies and the maximum Earn-Out Consideration is recognised as a contingent consideration under the Group's liabilities.

Note:

- (1) To achieve the Consideration Cap, each of the Target Entities would have to achieve an Average % Growth of 132.8% over the Target Entity Growth Reference Period. In this scenario, the Average Adjusted NPAT for SDE, SDS and SOP over the relevant period would have to be approximately RM57.96 million, RM39.54 million and RM12.25 million respectively and the cumulative NPAT of the Target Entities over a three (3) year period would in aggregate be approximately RM329.28 million.

5.2 Share Capital

The effects of the Proposed Share Acquisition on the issued and paid-up share capital ("**Share Capital**") and share premium ("**Share Premium**") of the Company as at 30 June 2017 are as follows:

	No. of Shares (excluding treasury shares) as at 30 June 2017	No. of Shares (excluding treasury shares) immediately following Completion of the Proposed Share Acquisition ⁽¹⁾
No. of Shares (excluding treasury shares)	2,646,617,600	2,716,725,933
Share Capital (RM) ⁽²⁾	191,040,654	196,963,235
Share Premium (RM) ⁽³⁾	1,668,775,194	1,817,768,332

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Notes:

- (1) The number of Shares (excluding treasury shares) immediately following completion of the Proposed Share Acquisition is computed on the assumption that the Base Consideration would be fully satisfied by the issuance of 70,108,333 Shares and the Earn-Out Consideration would be recognised as a contingent consideration under the Group's liabilities.
- (2) Share Capital is computed based on Share Capital as at 30 June 2017 and the issuance of the ordinary shares, with a par value of USD0.02 each ("**Par Value**"), at the exchange rate of USD1:S\$1.3572 and S\$1:RM3.1122.
- (3) Share Premium is computed based on the Share Premium as at 30 June 2017 and the share premium arising from the issuance of the ordinary shares, at S\$0.71 per Share, comparing with the Par Value at the exchange rate of USD1:S\$1.3572 and S\$1:RM3.1122.

5.3 NAV per Share

Based on the last audited financial statements of the Group for FY2017, and assuming that the Proposed Share Acquisition had been completed on 30 June 2017, the effects of the Proposed Share Acquisition on the consolidated NAV per Share as at 30 June 2017 are as follows:

	Before Proposed Share Acquisition	After Proposed Share Acquisition⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾
Consolidated NAV (RM)	1,157,941,393	165,761,163
No. of Shares (excluding treasury shares)	2,646,617,600	2,716,725,933
Consolidated NAV per Share (sen)	43.75	6.10

Notes:

- (1) Consolidated NAV per Share is computed based on the Consolidated NAV and assuming the Consideration Cap applies, the maximum Earn-Out Consideration of approximately RM1,009.33 million (being the maximum Earn Out Consideration of S\$420.00 million converted at the exchange rate of S\$1:RM3.1122 to RM1,307.12 million, discounted by a weighted average cost of capital of 9.00% over a three (3) year period), would be recognised as a contingent consideration under the Group's liabilities and a negative merger reserve of approximately RM1,163.21 million would be recognised under the Group's equity.
- (2) In order to achieve the Consideration Cap, the Average Adjusted NPAT for SDE, SDS and SOP over the Target Entity Growth Reference Period would have to be approximately RM57.96 million, RM39.54 million and RM12.25 million respectively and the cumulative NPAT of the Target Entities over a three (3) year period would in aggregate be approximately RM329.28 million which has not been included in the calculation of the Group's NAV after Proposed Share Acquisition.
- (3) Assuming a parting dividend of approximately RM5.99 million would be paid out from the Target Entities.
- (4) No goodwill will be recognised as the Company adopts the pooling of interest accounting treatment for the Proposed Share Acquisition.

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5.4 NTA per Share

Based on the last audited financial statements of the Group for FY2017, and assuming that the Proposed Share Acquisition had been completed on 30 June 2017, the effects of the Proposed Share Acquisition on the consolidated NTA per Share as at 30 June 2017 are as follows:

	Before Proposed Share Acquisition	After Proposed Share Acquisition⁽¹⁾⁽²⁾⁽³⁾
Consolidated NTA (RM)	966,250,762	(38,493,375)
No. of Shares (excluding treasury shares)	2,646,617,600	2,716,725,933
Consolidated NTA per Share (sen)	36.51	(1.42)

Notes:

- (1) Consolidated NTA per Share is computed based on the consolidated NTA and assuming the Consideration Cap applies, the maximum Earn-Out Consideration of approximately RM1,009.33 million (being the maximum Earn-Out Consideration of S\$420.00 million converted at the exchange rate of S\$1:RM3.1122 to RM1,307.12 million discounted by a weighted average cost of capital of 9.00% over a three (3) year period), would be recognised as a contingent consideration under the Group's liabilities and a negative merger reserve of approximately RM1,163.21 million would be recognised under the Group's equity.
- (2) In order to achieve the Consideration Cap, the Average Adjusted NPAT for SDE, SDS and SOP over the Target Entity Growth Reference Period would have to be approximately RM57.96 million, RM39.54 million and RM12.25 million respectively and the cumulative NPAT of the Target Entities over a three (3) year period would in aggregate be approximately RM329.28 million which has not been included in the calculation of the Group's NTA after Proposed Share Acquisition.
- (3) Assuming a parting dividend of approximately RM5.99 million would be paid out from the Target Entities.

5.5 EPS

Based on the last audited financial statements of the Group for FY2017, and assuming that the Proposed Share Acquisition had been completed on 1 July 2016, the effects of the Proposed Share Acquisition on the consolidated EPS are as follows:

	Before Proposed Share Acquisition	After Proposed Share Acquisition⁽¹⁾
Consolidated profit attributable to equity holders of the Company (RM)	845,991,733	865,408,139
Weighted average number of Shares (excluding treasury shares)	2,645,626,429	2,715,734,762
Consolidated EPS (sen)	31.98	31.87

Note:

- (1) Consolidated EPS is computed based on the consolidated profit attributable to equity holders of the Company and the weighted average number of Shares (excluding treasury shares) after taking into account the issuance of 70,108,333 Shares for the satisfaction of the Base Consideration and the Earn-Out Consideration recognised as a contingent consideration under the Group's liabilities.

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6. SHAREHOLDER APPROVALS

6.1 Interested Person Transactions

Chapter 9 of the Listing Manual governs transactions by a listed company, as well as transactions by its subsidiaries and associated companies that are considered to be at risk, with the listed company's interested persons. When this Chapter applies to a transaction and the value of that transaction alone or on aggregation with other transactions conducted with the interested person during the financial year reaches, or exceeds, certain materiality thresholds, the listed company is required to make an immediate announcement, or to make an immediate announcement and seek its shareholders' approval for that transaction.

GPO is the Executive Chairman and ultimate controlling shareholder of the Company and an "interested person" within the meaning of Chapter 9 of the Listing Manual. GPO is also the controlling shareholder of the Target Entities, as well as of SPRINTS and SSTR.

The proposed acquisition of the SIL Shares by the Company, the issue of the Consideration Shares by the Company, where applicable, to GPO, as well as the entry into of the Ancillary Agreements between the Target Entities and SPRINTS, on completion, amount to interested person transactions, as defined under Chapter 9 of the Listing Manual.

Based solely on the Base Consideration, the aggregate consideration payable to GPO for the acquisition of his interest in the Target Entities is already approximately S\$34.84 million (applying the closing S\$ to RM exchange rate of S\$1 to RM3.1122, as quoted by Bloomberg on 19 October 2017), representing approximately 11.22% of the latest audited consolidated net tangible assets of the Group, amounting to RM966.25 million, approximately S\$310.47 million (applying the closing S\$ to RM exchange rate of S\$1 to RM3.1122), as at 30 June 2017 ("**2017 Group NTA**"), as disclosed in the audited consolidated financial statements of the Group for the financial year ended 30 June 2017 ("**FY2017**"). As this aggregate value is more than 5% of the 2017 Group NTA, the approval of the Minority Shareholders for the execution is required for purposes of Rule 906(1)(a) of the Listing Manual.

6.2 Major Transaction

Chapter 10 of the Listing Manual governs the continuing listing obligations of an issuer in respect of acquisitions and realisations and shareholders' approval and/or an immediate announcement may be required depending on the size of the relative figures of such a transaction computed on certain bases.

Taking into account the Earn-Out Consideration component, as well as the Consideration Cap, the Proposed Share Acquisition may also amount to a major transaction, as defined under Chapter 10 of the Listing Manual, requiring the specific approval of the Shareholders, with GPO and his associates abstaining from voting.

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Assuming the Consideration Cap is achieved, the relative figures for the Proposed Share Acquisition, computed on the bases set out in Rule 1006 of the Listing Manual, are as follows:

(i)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable
(ii)	Profit before income tax, minority interest and extraordinary items ("Net Profits") attributable to the Target Entities acquired, compared with the Group's Net Profits for FY2017	14.15% ⁽¹⁾
(iii)	Aggregate value of the consideration given compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	30.04% ⁽²⁾
(iv)	Number of equity shares issued by the Company as consideration for the Proposed Share Acquisition, compared with the number of equity shares previously in issue	25.00% ⁽³⁾

Notes:

- (1) Based on SDE's Net Profits of RM11.07 million, SDS' Net Profits of RM8.03 million and SOP's Net Profits of RM2.63 million for Target Entity FY2016 and the Group's Net Profits of RM153.54 million for FY2017 after deducting the Group's extraordinary gains in aggregate amounting to RM793.95 million arising from disposal of shares in Global InfoTech Co. Ltd. ("GIT"), re-measurement of retained interest in GIT to fair value and dilution of interest from GIT's issuance of new shares as part consideration for its acquisition of a subsidiary and private placement.
- (2) Based on the maximum amount of Consideration payable for the Proposed Share Acquisition, being S\$469.77 million. The market capitalisation of the Company was determined by multiplying 2,646,617,600, being the number of issued Shares (excluding treasury shares) of the Company, by S\$0.5908, being the weighted average price per Share transacted on 19 October 2017, the market day immediately preceding the date of the SPA.
- (3) Based on the issuance of 661,654,400 Shares in the Company, being the maximum number of Shares which may be issued to the Sellers based on Consideration Cap for the Proposed Share Acquisition of S\$469.77 million, at the Agreed Issue Price of S\$0.71, in satisfaction of the consideration for the Proposed Share Acquisition.

Based on the audited financial statements of the Target Entities as at 31 December 2016, (i) the net asset value of the SIL Shares, SDE Minority Shares, SDS Minority Shares and SOP Minority Shares is approximately RM24.31 million (approximately S\$7.81 million, based on the exchange rate of S\$1:RM3.1122), and (ii) the Net Profits attributable to these shares is approximately RM21.73 million (approximately S\$6.98 million, based on the exchange rate of S\$1:RM3.1122).

6.3 Proposed Issue of Consideration Shares

Rule 805(1) of the Listing Manual requires the approval of shareholders in a general meeting to be obtained for the issue of shares or convertible securities or the grant of options carrying rights to subscribe for shares of the issuer.

Rule 804 of the Listing Manual provides that, other than an issue made on a pro-rata basis or a share option scheme or share scheme, no directors of an issuer, or associate of the director, may participate directly or indirectly in an issue of equity securities or convertible securities unless the shareholders in a general meeting have approved the specific allotment.

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Rules 812(1) and 812(2) of the Listing Manual provide that an issuer must not place an issue of shares to its directors or substantial shareholders unless specific shareholders' approval has been obtained, with the relevant person and his associates abstaining from voting.

GPO is a Director and ultimate controlling shareholder of the Company and accordingly the proposed issue to GPO of his portion of the Consideration Shares requires the approval of the Minority Shareholders of the Company.

Interests of the Sellers and other Shareholders Post-Issuance of the Consideration Shares

As at the Latest Practicable Date, GPO's and the Minority Sellers' respective interests in the issued and paid-up share capital of the Company before and after the issuance of the Consideration Shares based on the issuance of (i) 70,108,333 shares for the Base Consideration and (ii) 591,546,067 shares for the maximum Earn-Out Consideration, which in aggregate amounts to 661,654,400 shares in the Company (being the maximum number of shares which may be issued to the Sellers based on Consideration Cap for the Proposed Share Acquisition of S\$469.77 million, at the Agreed Issue Price of S\$0.71) are as follows:

Shareholders	Before Issuance of Consideration Shares		After Issuance of Base Consideration Shares		After Issuance of Earn-Out Consideration Shares	
	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽²⁾	Number of Shares	% ⁽³⁾
Goh Peng Ooi	1,701,855,043	65.33	1,750,930,876 ⁽⁴⁾	65.45	2,165,013,123 ⁽⁴⁾	66.27
Minority Sellers	986,000	0.04	22,018,500	0.82	199,482,320	6.11
Other shareholders	902,257,157	34.63	902,257,157	33.73	902,257,157	27.62

Notes:

- (1) Based on an issued share capital of 2,605,098,200, (excluding 91,374,600 treasury shares), as at the Latest Practicable Date.
- (2) Based on an issued share capital of 2,675,206,533, (excluding 91,374,600 treasury shares), after the issuance of 70,108,333 shares for the Base Consideration.
- (3) Based on an issued share capital of 3,266,752,600, (excluding 91,374,600 treasury shares), after the issuance of 70,108,333 shares for the Base Consideration and 591,546,067 shares for the maximum Earn-Out Consideration.
- (4) The Consideration Shares were allocated based on Mr Goh Peng Ooi's 70% interest in each of SDE, SDS and SOP, i.e. comprising 49,075,833 Shares for Base Consideration and 414,082,247 Shares for maximum Earn-Out Consideration, amounting to 463,158,080 Shares, with the remaining Consideration Shares being allocated to the Minority Sellers.

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7. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the Directors' interests in the issued and paid-up share capital of the Company as recorded in the Register of Directors' Shareholdings and the interests of the Substantial Shareholders in the issued and paid-up share capital of the Company as recorded in the Register of Substantial Shareholders were as follows:

Directors/Substantial Shareholders	Direct Interest (Number of Shares)	Indirect/ Deemed Interest (Number of Shares)	Total Interest	
			Number of Shares	% ⁽¹⁾
<u>Directors:</u>				
Goh Peng Ooi	–	1,701,855,043 ⁽³⁾	1,701,855,043	65.33
Tan Sri Dato' Dr Mohd Munir bin Abdul Majid	–	–	–	0.00
Goh Shiou Ling ⁽²⁾	–	–	–	0.00
Dr. Kwong Yong Sin	17,172,000	950,000 ⁽⁴⁾	18,122,000	0.70
Datuk Sulaiman bin Daud	600,000	–	600,000	0.02
Ong Kian Min	600,000	–	600,000	0.02
Professor Tan Sri Dato' Dr Lin See-Yan	600,000	–	600,000	0.02
Lim Kok Min	600,000	–	600,000	0.02
Datuk Yvonne Chia	300,000	110,000 ⁽⁵⁾	410,000	0.02
<u>Substantial Shareholders:</u>				
Intelligentsia Holding Ltd	1,701,855,043	–	1,701,855,043	65.33
NTAsian Discovery Master Fund	132,677,900	–	132,677,900	5.09
Goh Peng Ooi	–	1,701,855,043 ⁽³⁾	1,701,855,043	65.33

Notes:

- (1) Based on an issued share capital of 2,605,098,200, (excluding 91,374,600 treasury shares), as at the Latest Practicable Date.
- (2) Goh Shiou Ling is an associate of Goh Peng Ooi, being his daughter.
- (3) Goh Peng Ooi's deemed interest arises from the 1,701,855,043 shares in the Company held by his wholly-owned company, Intelligentsia Holding Ltd.
- (4) Dr. Kwong Yong Sin's deemed interest arises from the 950,000 shares in the Company held by his spouse, Madam Khoo Beng Gaik @ Nellie.
- (5) Datuk Yvonne Chia's deemed interest arises from the 110,000 shares in the Company held by her spouse, Mr Francis Chia Mong Tet.

Save as disclosed above and in this Circular, none of the Directors and Substantial Shareholders and/or their associates has any interest in the Proposed Transaction.

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8. OPINION OF INDEPENDENT FINANCIAL ADVISER

Chapter 9 of the Listing Manual provides that, where Shareholders' approval is required for an interested person transaction, the Circular must include an opinion from an independent financial adviser as to whether or not such transaction is on normal commercial terms, and if it is prejudicial to the interests of the Company and the minority Shareholders.

Accordingly, the IFA has been appointed to advise the Independent Directors in respect of the Proposed Transaction.

Taking into consideration the factors set out in the letter from the IFA dated 9 February 2018 to the Independent Directors ("**IFA Letter**"), the IFA is of the opinion that the Proposed Transaction is on normal commercial terms and is not prejudicial to the interests of the Company and its Minority Shareholders.

The IFA Letter is reproduced and appended as **Appendix 1** of this Circular. Shareholders are advised to read the IFA Letter carefully.

The Audit Committee of the Company concurs with the opinion of the IFA.

9. INDEPENDENT DIRECTORS' RECOMMENDATION

The Independent Directors, having considered the terms of the Proposed Transaction (including the acquisition of the SIL Shares), the rationale for entering into the SPA and the Ancillary Agreements, the terms for the issue of the Consideration Shares, as well as the recommendations given by the IFA as contained in the IFA Letter, are of the view that the Proposed Transaction is on normal commercial terms and not prejudicial to the Minority Shareholders and is in the best interest of the Company and, accordingly, recommend that Shareholders vote in favour of the ordinary resolution relating to the Proposed Transaction at the Special General Meeting.

10. SPECIAL GENERAL MEETING

The Special General Meeting, notice of which is set out on pages N-1 to N-2 of this Circular, is to be held at Oriental Ballroom 1, Lobby Level, Mandarin Oriental Singapore, 5 Raffles Avenue, Marina Square, Singapore 039797, on 1 March 2018 at 2.30 p.m. for the purpose of considering and, if thought fit, passing with or without any amendments the ordinary resolution set out in the Notice of Special General Meeting.

A Depositor shall not be regarded as a Shareholder entitled to attend the Special General Meeting and to speak and vote thereat unless he is shown to have Shares entered against his name in the Depository Register, as certified by the CDP as at 72 hours before the Special General Meeting.

11. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the Special General Meeting and who wish to appoint a proxy to attend and vote on their behalf, should complete, sign and return the enclosed proxy form in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the office of the Company's Singapore Share Transfer Agent,

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Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not less than 72 hours before the time fixed for the Special General Meeting.

The completion and lodgement of a proxy form by a Shareholder does not preclude him from attending and voting in person at the Special General Meeting in place of his proxy if he so wishes. However, any appointment of a proxy or proxies by such Shareholder shall be deemed to be revoked if the Shareholder attends the Special General Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the Special General Meeting.

12. ABSTENTION FROM VOTING

In accordance with the Listing Manual, GPO and his associates (including his daughter, Ms Goh Shiou Ling, a non-executive director of the Company) shall abstain from voting on the resolutions approving the Proposed Share Acquisition, the Proposed Ancillary Agreements and the Proposed Consideration Share Issue. Furthermore, GPO and his associates shall not act as proxies in relation to such resolutions unless voting instructions have been given by a Shareholder.

Save as disclosed in this Circular, to the best knowledge of the Directors, none of the Directors or Substantial Shareholders of the Company has any interest, direct or indirect, in the Proposed Share Acquisition, the Proposed Ancillary Agreements and the Proposed Consideration Share Issue.

13. CONSENTS

- (a) The IFA, Deloitte & Touche Corporate Finance Pte Ltd, has given and has not withdrawn its consent to the issue of this Circular with the inclusion of its name, the IFA Letter, and all references thereto, in the form and context in which they appear in this Circular.
- (b) The Financial Adviser, CIMB, has given and has not withdrawn its consent to the issue of this Circular with the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

14. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm, after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Share Acquisition, the Proposed Ancillary Agreements, the Proposed Consideration Share Issue, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

Where information contained in this Circular 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 the Circular in its proper form and context.

CIRCULAR TO SHAREHOLDERS

In respect of the IFA Letter, the sole responsibility of the Directors has been to ensure that the facts stated therein with respect to the Company are fair and accurate in all material respects.

15. FINANCIAL ADVISER'S RESPONSIBILITY STATEMENT

The Company has appointed CIMB, as financial adviser in relation to the Proposed Transaction.

To the best of CIMB's knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Share Acquisition, the Proposed Ancillary Agreements, the Proposed Consideration Share Issue, the Company and its subsidiaries, and CIMB is not aware of any facts the omission of which would make any statement in this Circular misleading.

16. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the office of the Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 during normal business hours from the date of this Circular up to and including the date of the Special General Meeting:

- (a) the SPA;
- (b) the IFA Letter, dated 9 February 2018;
- (c) the letter of consent from the IFA and CIMB;
- (d) the Memorandum & Bye-Laws of the Company;
- (e) copies of the audited financial statements for each Target Entity, for the financial years ended 31 December 2014, 2015 and 2016;
- (f) a copy of the unaudited management accounts for each Target Entity for the 6 months period ended 30 June 2017; and
- (g) a copy of the audited consolidated financial statements of the Company for FY2017.

Yours faithfully

For and on behalf of the Board of Directors of
Silverlake Axis Ltd

Dr Kwong Yong Sin
Group Managing Director

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INDEPENDENT FINANCIAL ADVISER'S LETTER

DELOITTE & TOUCHE CORPORATE FINANCE PTE LTD

(Incorporated in the Republic of Singapore)
Company Registration Number: 200200144N

9 February 2018

The Independent Directors
Silverlake Axis Limited
6 Raffles Quay,
#18-00
Singapore 048580

Dear Sirs

THE PROPOSED TRANSACTION COMPRISING:

(1) THE PROPOSED ACQUISITION OF:

(A) 70% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF SILVERLAKE DIGITAL ECONOMY SDN BHD), SILVERLAKE DIGITALE SDN BHD AND SILVERLAKE ONE PARADIGM SDN BHD (COLLECTIVELY, THE "TARGET ENTITIES"), HELD BY SILVERLAKE INVESTMENT LTD ("SIL"), PURSUANT TO THE ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF SIL ("SIL SHARES"), AS AN INTERESTED PERSON TRANSACTION; AND

(B) THE BALANCE 30% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF EACH OF THE TARGET ENTITIES, FROM THE MINORITY SHAREHOLDER(S) OF EACH TARGET ENTITY (COLLECTIVELY, THE "MINORITY SELLERS"), WHICH, TOGETHER WITH THE ACQUISITION OF THE SIL SHARES, CONSTITUTES A POTENTIAL MAJOR ACQUISITION,

(COLLECTIVELY, THE "PROPOSED SHARE ACQUISITION");

(2) THE PROPOSED EXECUTION OF (A) THE SYMMETRY LICENCE AND (B) THE TRANSITIONAL SERVICES AGREEMENT (COLLECTIVELY, THE "PROPOSED ANCILLARY AGREEMENTS"), IN CONJUNCTION WITH THE PROPOSED SHARE ACQUISITION, AS INTERESTED PERSON TRANSACTIONS; AND

(3) THE PROPOSED ISSUE OF UP TO 661,654,400 ORDINARY SHARES ("CONSIDERATION SHARES") IN THE CAPITAL OF THE COMPANY, AT AN ISSUE PRICE OF NO LESS THAN S\$0.71 PER ORDINARY SHARE ("SHARE"), AS CONSIDERATION FOR THE PROPOSED SHARE ACQUISITION COMPRISING (A) AN AGGREGATE OF UP TO 463,158,080 SHARES TO BE ISSUED TO THE CONTROLLING SHAREHOLDER OF THE COMPANY, GOH PENG OOI, AS AN INTERESTED PERSON TRANSACTION; AND (B) AN AGGREGATE OF UP TO 198,496,320 SHARES TO BE ISSUED TO THE MINORITY SELLERS (COLLECTIVELY, THE "PROPOSED CONSIDERATION SHARE ISSUE"),

(COLLECTIVELY, THE "PROPOSED TRANSACTION"), PURSUANT TO RULE 921(4) OF THE SGX-ST LISTING MANUAL.

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For the purpose of this letter, capitalised terms not otherwise defined shall have the meaning given to them in the circular dated 9 February 2018 to the shareholders of Silverlake Axis Limited (the “**Circular**”).

1. INTRODUCTION

Silverlake Axis Ltd (“**SAL**”) is an investment holding company that provides digital economy solutions and services to the banking, insurance, payment, retail, and logistics industries. SAL was listed on Singapore’s Stock Exchange (SGX) SESDAQ in 2003 and moved up to SGX Mainboard in 2011.

SAL has presence in South East Asia, North East Asia, South Asia, the Middle East, North America, Africa, and Europe. The company was founded in 1989 and is headquartered in Petaling Jaya, Malaysia.

1.1. The Proposed Transaction

- (a) On 8 March 2017, the Company announced that Goh Peng Ooi (“**GPO**”), its Group Executive Chairman and ultimate controlling shareholder, had invited the Company to express its interest to acquire GPO’s shareholding interests in various Silverlake private entities (“**SPEs**”), which are controlled by GPO but do not form part of the group of companies comprising the Company and its subsidiaries and/or associated companies (“**Group**”).
- (b) These SPEs included three (3) Malaysian incorporated SPEs, namely Silverlake Digital Economy Sdn Bhd (“**SDE**”), Silverlake Digitale Sdn Bhd (“**SDS**”) and Silverlake One Paradigm Sdn Bhd (“**SOP**”, and together with SDS and SDE, the “**Target Entities**”), wherein:
 - i. GPO controls 70% of the issued share capital of each Target Entity, through his wholly-owned, intermediate holding company, Silverlake Investment Ltd, incorporated in Bermuda (“**SIL**”);
 - ii. Choo Soo Ching @ Cha Boo @ Choo Joo Di (“**CSC**”), holds the remaining 30% of the issued share capital of SDE (“**SDE Minority Shares**”);
 - iii. Lim Ep Ban (“**LEB**”), Wong Horn Lim (“**WHL**”) and Yew Chun Kiat (“**YCK**”) hold the remaining 30% of the issued share capital of SDS, in equal proportions (“**SDS Minority Shares**”); and
 - iv. LEB, WHL and YCK also hold the remaining 30% of the issued share capital of SOP, in equal proportions (“**SOP Minority Shares**”),

(CSC, LEB, WHL and YCK are hereinafter collectively referred to as the “**Minority Sellers**”, and together with GPO, the “**Sellers**”).
- (c) The Minority Sellers are not involved in the business or management of the Company and are not a director, substantial shareholder or CEO of the Company or any Group Company, or an associate of any such director, substantial shareholder or CEO.

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- (d) On 20 October 2017, the Company announced that it had since entered into a share sale and purchase agreement (“**SPA**”) with GPO and the Minority Sellers to acquire their entire respective shareholding interests in the Target Entities, on the terms of and subject to the conditions of the SPA, wherein the Company’s proposed acquisition of GPO’s interest in the Target Entities will be effected by way of its acquisition of the SIL Shares (collectively the “**Proposed Share Acquisition**”).

Further details of the SPA and the Proposed Share Acquisition are set out in Section 2 of the Circular and further details of the Target Entities are set out in Section 3 of the Circular.

- (e) As described in Sections 2.3 to 2.7 of the Circular, the consideration for the Company’s acquisition of the entire interest in each of SDE (“**SDE Acquisition**”), SDS (“**SDS Acquisition**”) and SOP (“**SOP Acquisition**”) as aforesaid (“**Consideration**”):

- i. comprises both a base consideration component and an earn-out consideration component, which, in each case, are essentially based on agreed multiples being applied to the NPAT of each Target Entity, i.e. being the net profit after tax as derived from their existing or approved business operations, over the period from 1 January 2016 to 30 June 2020, with the earn-out consideration component and its related multiples being subject to achieving certain prescribed growth rates, as further described in Section 2.6 of the Circular;
- ii. the Base Consideration will be satisfied by the issue of Shares in the Company, at an agreed issue price of S\$0.71 per Share (“**Agreed Issue Price**”);
- iii. the Earn-Out Consideration, if any, which is anticipated to be made on or around end-2020, will also be satisfied by the issue of Shares in the Company, at the Agreed Issue Price or higher, unless the Sellers request a cash payment and the Company is correspondingly able to source or otherwise secure the relevant funding, at reasonable cost and effort; and
- iv. is subject to an overall cap of 25% of the market capitalisation of the Company on the date of the SPA, being 20 October 2017, based on the Agreed Issue Price (“**Consideration Cap**”).

- (f) As described in Sections 2.1 and 2.11 of the Circular, completion of the Proposed Share Acquisition (“**Completion**”) is also conditional upon, *inter alia*:

- i. Silverlake Sprints Sdn Bhd (“**SPRINTS**”) entering into the Transitional Services Agreement (“**TSA**”), with each Target Entity respectively; and
- ii. Silverlake Symmetry and Technology Research Sdn Bhd (“**SSTR**”) entering into the Symmetry Licence, with each of the Target Entities respectively,

(collectively, the “**Proposed Ancillary Agreements**”).

The Symmetry Licence and TSA involve different corporate entities which are not party to the SPA and the Company is desirous of continuing with the relevant

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arrangements post-Completion for continuity and to facilitate the operations of the Target Entities until the Company is in a suitable position to cease these arrangements.

- (g) As further described in Sections 1.2 and 6 of the Circular, the Proposed Share Acquisition, the Proposed Ancillary Agreements and the proposed issue of Shares in satisfaction of the Consideration (“**Proposed Consideration Share Issue**”) are also subject, *inter alia*, to the approval of the Minority Shareholders at a special general meeting to be convened and fulfilment of the prescribed conditions in the Listing Manual, in particular Chapter 9 thereof.

1.2. Shareholders’ Approval

Interested Person Transaction

Under Rule 904(4)(a) of the Listing Manual, in the case of a company, an “interested person” means a director, chief executive officer or controlling shareholder of the Company, or an associate of any such director, chief executive officer, or controlling shareholder. Under the Listing Manual, an “associate”, in the case of a company, in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual), means, *inter alia*, his immediate family and any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more.

Further, GPO is deemed to be a “controlling shareholder” of the Company as he has an interest of more than 15% in the issued share capital of the Company. The shareholding interest of GPO in the Company is as detailed in Section 7 of the Circular.

In addition, GPO has an aggregate direct or indirect interest of more than 30% in the issued share capital of Target Entities, SPRINTS and SSTR. The shareholding interest of GPO in Target Entities is as detailed in Section 1 of the Circular.

Under the Listing Manual, each of the Target Entities, SPRINTS and SSTR are considered to be “associates” of GPO, as GPO holds more than 30% of the issued share capital of the Target Entities. Accordingly, pursuant to Chapter 9 of the Listing Manual, the Target Entities would be considered an “interested person” vis-à-vis the Company, which is regarded as an “entity at risk” for these purposes, and as such, the Proposed Transaction constitutes an “interested person transaction” under Chapter 9 of the Listing Manual.

Furthermore, as the value of the aggregate consideration (calculated based on NTA) is more than 5% of the 2017 Group NTA, as set out in Section 6 of the Circular, Shareholders’ approval is required for the proposed acquisition of Target Entities shares pursuant to Chapter 9 of the Listing Manual.

Proposed Issue of Consideration Shares

Rule 805(1) of the Listing Manual requires the approval of shareholders in a general meeting to be obtained for the issue of shares or convertible securities or the grant of options carrying rights to subscribe for shares of the issuer.

Rule 804 of the Listing Manual provides that, other than an issue made on a pro-rata basis or a share option scheme or share scheme, no directors of an issuer, or associate of the

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director, may participate directly or indirectly in an issue of equity securities or convertible securities unless the shareholders in a general meeting have approved the specific allotment.

Rules 812(1) and 812(2) of the Listing Manual provide that an issuer must not place an issue of shares to its directors or substantial shareholders unless specific shareholders' approval has been obtained, with the relevant person and his associates abstaining from voting.

GPO is a Director and ultimate controlling shareholder of the Company and accordingly the proposed issue to GPO of his portion of the Consideration Shares requires the approval of the Minority Shareholders of the Company.

2. TERMS OF REFERENCE

Deloitte & Touche Corporate Finance Pte Ltd has been appointed as the IFA as required under Rule 921(4) of the Listing Manual and also to advise the Independent Directors in respect of their recommendation on the actions to be taken by the Shareholders in relation to the Proposed Transaction.

Our responsibility is to provide our opinion to the Independent Directors of SAL in respect to the Proposed Transaction comprising:

- (a) The Proposed Share Acquisition;
- (b) Entering into the Proposed Ancillary Agreements; and
- (c) The Proposed Consideration Share Issue.

We were neither a party to the negotiations entered into in relation to the Proposed Transaction, nor were we involved in the deliberations leading up to the decision on part of the Directors to enter into the Proposed Transaction.

We do not, by this letter or otherwise, advise or form any judgement on the strategic or commercial merits or risks of the Proposed Transaction. All such evaluations, advice, judgements or comments remain the sole responsibility of the Directors and their advisors.

We have however drawn upon such evaluations, judgements and comments as we deem necessary and appropriate in arriving at our opinion.

The scope of our appointment does not require us to express, and nor do we express, a view on the future growth prospects, earnings potential or value of SAL. We do not express any view as to the price at which the SAL may trade upon completion of the Proposed Transaction nor on the future value, financial performance or condition of SAL after the Proposed Transaction.

It is also not within our terms of reference to compare the merits of the Proposed Transaction to any alternative transactions that were or may have been available to SAL. Such comparison and consideration remain the responsibility of the Directors and their advisors.

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In the course of our evaluation, we have held discussions with the management of SAL, and have considered the information contained in the Circular, publicly available information collated by us as well as information, both written and verbal, provided to us by the management. We have relied upon and assumed the accuracy of the relevant information, both written and verbal, provided to us by the aforesaid parties and have not independently verified such information, whether written or verbal, and accordingly cannot and do not warrant, and do not accept any responsibility for the accuracy, completeness and adequacy of such information. We have nonetheless made reasonable enquiries and exercised our judgement on the reasonable use of such information and have found no reason to doubt the accuracy or reliability of such information. We have not made any independent evaluation or appraisal of the assets and liabilities of SAL or the Proposed Transaction.

We have not independently verified and have assumed that all statements of fact, belief, opinion and intention made by the Directors in the Circular have been reasonably made after due and careful enquiry. Accordingly, no representation or warranty (whether express or implied) is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of such information. We have nonetheless made reasonable enquiries and exercised our judgement on the reasonable use of such information and have found no reason to doubt the accuracy or reliability of such information. We have not made any independent evaluation or appraisal of the assets and liabilities of SAL or the Proposed Transaction.

Our views are based on market, economic, industry, monetary and other conditions (where applicable) prevailing on and our analysis of the information made available to us as at the Latest Practicable Date. We assume no responsibility to update, revise or re-affirm our opinion, factors or assumptions in light of any subsequent development after the Latest Practicable Date that may affect our opinion or factors or assumptions contained herein. Shareholders should take note of any announcements relevant to their considerations of the Proposed Transaction which may be released by SAL after the Latest Practicable Date.

SAL has been separately advised by its own legal advisor in the preparation of the Circular other than this letter. We have had no role or involvement and have not provided any advice whatsoever in the preparation, review and verification of the Circular other than this letter. Accordingly, we take no responsibility for, and express no views, whether express or implied, on the contents of the Circular except for this letter.

Our opinion in relation to the Proposed Transaction should be considered in the context of the entirety of this letter and Circular. While a copy of this letter may be reproduced in the Circular, SAL may not reproduce, disseminate or quote this letter or any part thereof for any purpose, other than for the purpose stated herein, without our prior written consent in each instance.

We have not had regard to the general or specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any Shareholder. As the Shareholder will have different investment objectives, we advise the Independent Directors to recommend that any Shareholder who may require specific advice in relation to his or her specific investment objectives or portfolio should consult his or her stockbroker, bank manager, solicitor, accountant, tax advisor or other professional advisors.

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3. INFORMATION ON TARGET ENTITIES

3.1. Information on SDE

SDE was incorporated in Malaysia on 8 November 2011, and was granted MSC status in Malaysia by the MDeC on 9 March 2012.

SDE has designed and developed a proprietary digital banking platform, called the 'Silverlake Fintech Banking Platform' of the SDE Model Suites ("**Platform**"), that offers banking-as-a-service capabilities and seeks to provide a one-stop solution for banks seeking to transform from a traditional operating model to a digital operating model, to help them better compete against new Fintech competitors with lower cost-to-income ratios.

The Platform gives banks an accelerated and certain method of moving from a traditional operating model to a digital banking model with an emphasis on customer experience, service fulfilment and digitised processing by:

- (a) providing a unified and layered architecture of digitised business processes and technology to facilitate the delivery and fulfilment of a bank's services and products (including customer on-boarding and authentication, digital marketing, product applications and packaging, customer analytics, collaboration, sales and services and account maintenance) to its customers;
- (b) bridging multiple different physical channels (including smart automated teller machines, sales kiosks, contact centres, branches and retail outlets), digital channels (including relationship manager workbenches, mobile devices, consumer & corporate websites and social media) and market channels (including mobile payments, merchant point-of-sales and e-commerce transactions); and
- (c) delivering an enhanced customer experience, with high-quality interaction, wide choices of products and services, consistent access and increased service personalisation.

The Platform works with both the Company's proprietary Silverlake Axis Integrated Banking Solutions ("**SIBS**") core-banking software, as well as other third party core-banking software. The Platform is designed to support the transformation of full-service banks from a traditional to a digital operating model and the development of stand-alone digital banks. The Platform addresses the conventional and the Sharia-banking market, with a Sharia-compliant fulfilment module, to help banks automate and digitize their customer-on boarding and Sharia-financing origination processes.

SDE currently has three (3) banks in the region using its Platform, namely, Bank Islam Brunei Darussalam Berhad (Brunei), Commercial Bank International P.S.C. (United Arab Emirates) and People's Bank (Sri Lanka).

As at the Latest Practicable Date, GPO has an interest in 70% of the total number of SDE Shares through his wholly-owned, intermediate holding company, SIL.

Choo Soo Ching @ Cha Boo @ Choo Joo Di ("**CSC**") is the Key Executive of SDE. CSC founded SDE in 2011 with GPO with a view to create transformational solutions for the banking industry in a digital world. Further details on SDE and CSC are provided in Section 3.1(b) of the Circular.

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3.2. Information on SDS

SDS was incorporated in Malaysia on 22 January 1996, and commenced its current business activities in June 2013.

SDS has designed and developed a suite of payment solution-related software modules and components, called 'IntelliSuite', that is targeted at financial institutions and emerging non-bank payment providers and aims to provide faster and more innovative solutions, across the consumer/retail and wholesale/corporate payment spectrums.

Some of the 'IntelliSuite' solutions and capabilities include the following:

(a) the '*IntelliPayz*' solution suite:

This solution suite relates to consumer lifestyle and retail payments. It comprises a suite of modular and diversified payment products solutions under a single platform which converges with digital technology to offer mobile wallet payments (namely Google Pay, Apple Pay, AliPay, Wechat Pay, Samsung Pay, et cetera), social payments, and person-to-person payments. It can be extended into future digital payment ecosystems. 'IntelliPayz' uses an agile and intelligent rules-based engine to offer the capabilities for loyalty management, pricing management, payment fraud monitoring, et cetera. All the payment services utilise the web application programming interface ('API') and are compatible with various digital channels. '*IntelliPayz*' solution also utilises digital security functionalities such as biometric authentication and tokenisation. This solution suite integrates and complies with the digital payment switch, namely, MasterCard Digital Enablement Service (MDES) and Visa Digital Enablement Program (VDEP).

(b) '*IntelliHubz*' solution suite:

This solution suite relates to business-to-business ('B2B') payment solution that facilitates financing and payments amongst buyers, sellers and financial institutions. It uses an agile and intelligent rules-based engine to offer buyer and seller loyalty and campaign management, buyer and seller pricing management, order and fulfilment transaction tracking and monitoring. The B2B payments services utilise web API and are compatible with various digital channels. '*IntelliHubz*' also comes with a buyer and seller portal to enable self-service functionalities. This solution comes with an integrated B2B payment switch to facilitate financial payments between buyers and sellers and to expand the B2B ecosystem of the financial institutions.

(c) '*IntelliSwitchz*' solution suite:

This solution suite comprises a regional payment switch to facilitate end-to-end cross-border payment transactions. It is embedded with rule-based capabilities for flexible switching and routing as well for performance and fraud monitoring. All the regional payment services utilise web API and are compatible with various digital channels and regional member banks. '*IntelliSwitchz*' also comes with regional hub management to support both financial and non-financial back-office capabilities.

SDS' end-customers include Krungthai Card PCL ("**KTC Thailand**"), OCBC Bank (Malaysia) Berhad, CIMB Bank Berhad ("**CIMB Bank**"), Hong Leong Bank Berhad ("**Hong**

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Leong Bank”), Bank Islam Malaysia Berhad (“**Bank Islam**”), Bank Muamalat Malaysia Berhad (“**Bank Muamalat**”) and Commercial Bank International PSC.

As at the Latest Practicable Date, GPO has an interest in 70% of the total number of SDS Shares through his wholly-owned, intermediate holding company, SIL.

Lim Ep Ban (“**LEB**”) is the Key Executive of SDS. He has over 30 years of experience in the information technology field and has demonstrated excellent management skills while architecting and delivering end-to-end solutions to meet the clients’ business needs and transformation programs. Further details on LEB are provided in Section 3.2(b) of the Circular.

3.3. Information on SOP

SOP was incorporated in Malaysia on 25 August 1993, and commenced its current activities in July 2015. On 8 December 2015, SOP was also accorded MSC status by MDeC.

SOP has designed and developed a suite of agile and intelligent rules-based applications called ‘*NowSuite*’. ‘*NowSuite*’ has been configured with proven industry specific rule models. ‘*NowSuite*’ augments the core systems through its agile rules-based applications, which enable customers to be responsive to the dynamic changes of business requirements. Business users are able to self-define their business rules or criteria without depending on information technology to make coding changes to the core systems.

‘*NowSuite*’ provides flexibility for customers to implement enterprise functions across, *inter alia*, different users, products, accounts, processes and channels, speeding up time-to-market and helping customers achieve cost efficiencies in launching new loyalty programs, promotional campaigns, fraud monitoring models, service notifications, et cetera. As its rules-based application is able to support different industries, this opens up non-banking and cross industry opportunities.

SOP and SDS work closely with each other in connection with their respective operations and the delivery of their respective solutions and services to their customers. SOP’s end-customers include Bank Islam, Bank Muamalat, Hong Leong Bank and KTC Thailand.

As at the Latest Practicable Date, GPO has an interest in 70% of the total number of SOP Shares through his wholly-owned, intermediate holding company, SIL.

Lim Ep Ban (“**LEB**”) is also the Key Executive of SOP. Please refer to LEB’s Section 3.2(b) of this Circular for more information on the qualifications and experience of LEB.

4. INFORMATION ON IMPORTANT TERMS OF THE SPA & ANCILLARY AGREEMENTS

The terms of the SPA and Ancillary Agreements form an integral part of the Proposed Transaction and are set out in Section 2 of the Circular. We recommend that the Independent Directors advise the Shareholders to read this section of the Circular carefully.

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We have reproduced excerpts of this section in respect of the Transaction as below:

2.1 Conditions Precedents to the SPA

Completion of the Proposed Share Acquisition is conditional upon the fulfilment, or waiver by the Company, in writing, as the case may be, of the following conditions:

- (a) the approval of the Minority Shareholders for the acquisition of the SIL Shares, the execution of the Ancillary Agreements, and the issue of the Consideration Shares having been obtained, at the Special General Meeting and the approval of the Board for the execution of the SPA, by the Company and the Ancillary Agreements by the relevant Group Company, as well as the issue and allotment of the Consideration Shares to the respective Sellers, in accordance with the terms of the SPA;*
- (b) the in-principle approval of the SGX-ST for the listing and quotation of the Consideration Shares having been obtained and not being withdrawn or revoked, and, if such approval is subject to any condition(s) or restriction(s), such condition(s) or restriction(s) being reasonably acceptable to the Company and the Sellers, and being duly fulfilled or complied with;*
- (c) the execution and performance of the SPA by the Company not being prohibited, restricted or otherwise adversely affected by any law, statute, order, directive or regulation promulgated by any legislative, executive or regulatory body or authority having jurisdiction over the matter;*
- (d) the execution and performance of the SPA by each of the Sellers not being prohibited, restricted or otherwise adversely affected by any law, statute, order, directive or regulation promulgated by any legislative, executive or regulatory body or authority having jurisdiction over the matter;*
- (e) the results of the financial, legal, and business due diligence to be conducted by the Company and its professional advisers on SIL and each of the Target Entities, and the contents of the Disclosure Letter, if any, relating to SIL or such Target Entity, being satisfactory to the Company, provided always that the Company shall not be entitled to rely on this provision to terminate the SPA unless the aggregate value of the potential loss or damage from all relevant matters or issues arising in respect of any of the SDE Acquisition, the SDS Acquisition and/or the SOP Acquisition, as the case may be, is reasonably contemplated to amount to no less than five (5)% of the Base Consideration payable by the Company for the relevant acquisition;*
- (f) save as disclosed in the Disclosure Letter, if any, all warranties relating to SIL and to each of the Target Entities being true and accurate and not misleading in any respect and there being no breach of any such warranties;*
- (g) the SIL Restructuring (as further described in Section 2.8 of the Circular) having been duly completed;*
- (h) all necessary notifications having been submitted to the Bermuda Monetary Authority (“BMA”), and all necessary consents, approvals and/or confirmations, if any, having been obtained from the BMA (“BMA Approval”), in relation to the*

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proposed transfer of the SIL Shares to the Company pursuant to and in compliance with the Bermuda Exchange Control Act;

- (i) all necessary notifications having been submitted to the Malaysia Digital Economy Corporation (“MDeC”), and all necessary consents, approvals and/or confirmations, if any, having been obtained from MDeC (“MDeC Notification”), in relation to the potential change in the shareholders of SDE and SOP, pursuant to the conditions or any change to the conditions of approval of SDE and SOP as Multimedia Super Corridor (“MSC”) Malaysia status companies, and MDeC not having issued any negative or adverse direction or response in relation to the MDeC Notification and, if any such direction or response is issued subject to any conditions or restrictions, such conditions or restrictions being acceptable to the Company;*
- (j) the business of each Target Entity being conducted only in the ordinary course of business up to the Completion Date and there being no material adverse change (as determined by the Company in its reasonable discretion) to the business, assets, condition, operating results or operations of the relevant Target Entity;*
- (k) each of the Target Entities having fully settled or discharged any loans, liabilities and/or obligations due and payable from or otherwise owing by it to GPO or his associates, including any GPO Affiliate, but excluding any loans, liabilities and/or obligations which fall or which will fall within the terms of any existing shareholders’ mandate for interested person transactions with effect from the Completion Date;*
- (l) each of the Key Executives of each Target Entity (as further described in Sections 3.1(b), 3.2(b) and 3.3(b) of the Circular) having duly executed an undated, original copy of the service agreement (in substantially the form as set out in Schedule 6 of the SPA) with his applicable Target Entity, to be held by GPO pending Completion;*
- (m) SPRINTS having executed an undated, original copy of the TSA to be entered into with each Target Entity, to be held by GPO pending Completion;*
- (n) SSTR having executed an undated original copy of the Symmetry Licence to be entered into with each Target Entity, to be held by GPO pending Completion; and*
- (o) each of the Target Entities having set aside, or having access, on reasonable commercial terms, to such amount of readily available funds as may be necessary to enable it to meet its working capital requirements for at least two (2) months post-Completion (“Working Capital Requirement”), which amount shall in any case be no less than the amount specified below:*
 - i. SDE: RM3.4 million;*
 - ii. SDS: RM2.8 million; and*
 - iii. SOP: RM0.6 million.*

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If any of the above conditions is not fulfilled, or otherwise waived by the Company, in writing, prior to 19 April 2018, being the Long Stop Date, the Company shall be entitled, upon written notice to the Sellers, to forthwith terminate the SPA. As at the Latest Practicable Date, the conditions listed under Sections (c) to (f) and (j) have been met.

2.2 Inter-conditionality of Proposed Share Acquisition

*Completion of the Proposed Share Acquisition is conditional upon the Company's acquisition of all of the SIL Shares, SDE Minority Shares, SDS Minority Shares and SOP Minority Shares from the Sellers. If this condition is not fulfilled by 19 April 2018, or such other date as may be mutually agreed by the Parties in writing ("**Long-Stop Date**"), the SPA shall forthwith terminate.*

2.3 Consideration of Proposed Share Acquisition

The Consideration for the Proposed Share Acquisition shall be satisfied by the Company paying the Sellers:

- (a) a base consideration component ("**Base Consideration**"), as further described in Sections 2.4 to 2.5 of the Circular; and*
- (b) an earn-out consideration component ("**Earn-Out Consideration**"), as further described in Sections 2.6 and 2.7 of the Circular,*

*comprising, in each case, an agreed multiple of the NPAT of the relevant Target Entity over the period from 1 January 2016 to 30 June 2020, subject to certain adjustments ("**Adjusted NPAT**"), wherein the NPAT for this purpose comprises the net profit after tax of the relevant Target Entity that is:*

- i. derived from and/or otherwise attributable to its existing business operations as at the date of the SPA and/or any business operations reasonably related or ancillary thereto;*
- ii. derived from or relates to any business activity reflected in the approved business plan of the relevant Target Entity; and/or*
- iii. otherwise expressly agreed to by the Company or its Investment Committee, in writing, from time to time.*

For the avoidance of doubt, the Adjusted NPAT is intended to be limited to gains arising from the ordinary business operations of the Target Entities and to exclude any gains or losses arising from a disposal of fixed assets, subsidiaries or associated companies and/or goodwill or other intangibles outside the ordinary course of business operations.

The agreed multiples to be applied for each Target were negotiated and arrived at after taking into account the multiples of industry comparables and the operating track record and future growth potential of the relevant Target Entity.

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2.4 Base Consideration

- (a) *The Base Consideration for each Target Entity comprises an agreed multiple of the relevant Target Entity's Adjusted NPAT for the financial year ended 31 December 2016 ("Target Entity FY2016"), wherein the Adjusted NPAT comprises the NPAT of the relevant Target Entity for Target Entity FY2016 less certain costs and expenses which were directly attributable to the relevant Target Entity's operations prior and up to Completion but were not recognised in the relevant Target Entity's profit & loss statement for the relevant period ("Deductibles"), as further described below:*
- i. the Base Consideration for the SDE Acquisition is RM93,893,801, being 11 times SDE's Adjusted NPAT of approximately RM 8,535,800 for Target Entity FY2016 ("SDE Base Consideration");*
 - ii. the Base Consideration for the SDS Acquisition is RM46,587,566, being 8 times SDS' Adjusted NPAT of approximately RM 5,823,446 for Target Entity FY2016 ("SDS Base Consideration"); and*
 - iii. the Base Consideration for the SOP Acquisition is RM14,434,352, being 8 times SOP's Adjusted NPAT of approximately RM 1,804,294 for Target Entity FY2016 ("SOP Base Consideration").*
- (b) *The above agreed multiples for the Base Consideration were negotiated and arrived at after taking into account the multiples of industry comparables and the operating track record and future growth potential of each Target Entity. As set out in Sections 3.1(a), 3.2(a) and 3.3(a) of this Circular, although each Target Entity broadly operates within the software industry, each Target Entity owns and operates different types of software, each having distinct functionality and application, and each Target Entity is considered to have different future growth potential.*
- (c) *The aggregate Base Consideration is RM154,915,719, or approximately S\$49,776,916 (applying the exchange rate of S\$1:RM3.1122, as set out in the Announcement).*

2.5 Settlement of Base Consideration:

- (a) *The Base Consideration shall be satisfied by the Company's issue of Shares, at the Agreed Issue Price, of S\$0.71 per Share, to the Sellers, or their respective nominee, in proportion to each Seller's respective shareholding interests in the relevant Target Entity.*
- (b) *The Base Consideration Shares shall rank pari passu in all respects with the existing Shares, save that they will not rank for any dividend, distribution or other entitlement the Record Date of which falls before the Completion Date.*
- (c) *The Agreed Issue Price represents a 20.18% premium to the volume weighted average price of Shares traded on the SGX-ST on 19 October 2017, being the market day preceding the date of the SPA, of S\$0.5908, and was negotiated in good faith and arrived at on a willing seller willing buyer basis, taking into account the parties' optimism in the longer-term benefits that the Proposed*

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Transaction will bring to the Company. The higher price reduces the number of Consideration Shares that are required to be issued, which is less dilutive for the Minority Shareholders of the Company.

- (d) *Based on the Agreed Issue Price, an aggregate of 70,108,333 Shares (“**Base Consideration Shares**”) will be issued to the Sellers, to be attributable to each Target Entity and distributed amongst the Sellers as follows:*

i. SDE Acquisition

A total of 42,492,382 Shares will be issued, to be distributed in the proportion of 29,744,667 Shares to GPO and 12,747,715 Shares to CSC;

ii. SDS Acquisition:

A total of 21,083,571 Shares will be issued, to be distributed in the proportion of 14,758,500 Shares to GPO and 2,108,357 Shares to each of LEB, WHL and YCK;

iii. SOP Acquisition

A total of 6,532,380 Shares will be issued, to be distributed in the proportion of 4,572,666 Shares to GPO and 653,238 Shares to each of LEB, WHL and YCK.

- (e) *Completion of the issue of the Base Consideration Shares shall take place within ten (10) Business Days of the date that the last of the conditions precedent under the SPA have been fulfilled, or waived by the Company, as the case may be.*

2.6 Earn-Out Consideration

- (a) *The Earn-Out Consideration in respect of each Target Entity shall only be payable by the Company if the relevant Target Entity achieves an average year-on-year percentage growth (“**Average % Growth**”), in its Adjusted NPAT, over the period from 1 January 2017 to 30 June 2020 (“**Target Entity Growth Reference Period**”), i.e. comprising the following specific financial periods:*

*i. from 1 January 2017 to 30 June 2018, on an annualised basis (“**Target Entity FY2018**”);*

*ii. from 1 July 2018 to 30 June 2019 (“**Target Entity FY2019**”); and*

*iii. from 1 July 2019 to 30 June 2020 (“**Target Entity FY2020**”),*

*of at least 25%, wherein the Adjusted NPAT in this case comprises the NPAT of the relevant Target Entity for the applicable Target Entity FY, less any Deductibles and an amount equal to 15% per annum of the cash value of any capital injected and/or funds advanced by the Group to the relevant Target Entity to help it meet its working capital and/or cash flow requirements for the applicable Target Entity FY (“**Cost of Funding**”).*

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The Deductibles comprise all costs and/or expenses directly attributable to a Target Entity's operations prior and up to Completion which have not been recognised in the relevant Target Entity's profit & loss statement for Target Entity FY2016 and Target Entity FY2018, as specified in Schedule 8 of the SPA and pro-rated where applicable for FY2018.

For the avoidance of doubt, the Adjusted NPAT is intended to be limited to gains arising from the ordinary business operations of the Target Entities and to exclude any gains or losses arising from a disposal of fixed assets, inventories, subsidiaries or associated companies and/or goodwill or other intangibles outside the ordinary course of business operations.

The NPAT in respect of each Target Entity for Target Entity FY2018, Target Entity FY2019 and Target Entity FY2020 will take into account any expenses incurred by the Target Entities in the course of their business operations, which includes the TSA charges. There will be no reduction in the NPAT in respect of each Target Entity for Target Entity FY2018, Target Entity FY2019 and Target Entity FY2020 for the Symmetry Licence, as there is no licence fee for the first ten (10) years, or any impairment of goodwill, as no goodwill will be recognised as the Company adopts the pooling of interest accounting treatment for the Proposed Share Acquisition. There will also be no adjustment to the Base Consideration if the Average % Growth rates become negative in respect of the financial periods for Target Entity FY2018, Target Entity FY2019 and Target Entity FY2020.

- (b) *As mentioned in Section 1.1 of the Circular, the Earn-Out Consideration is also subject to the Consideration Cap, wherein the aggregate Consideration payable by the Company shall not exceed 25% of the Company's market capitalisation as at the date of the SPA, based on the Agreed Issue Price of S\$0.71 per Share. For this purpose, the Consideration Cap is determined to be approximately S\$469.77 million wherein the market capitalisation of the Company was arrived at by multiplying 2,646,617,600, being the number of issued Shares (excluding treasury shares) as at the date of the SPA, by the Agreed Issue Price of S\$0.71. Accordingly, the maximum Earn-Out Consideration is approximately S\$420.00 million arrived at by deducting the Base Consideration of approximately S\$49.77 million from the Consideration Cap of S\$469.77 million.*
- (c) *Subject to the above, the Company shall pay the Sellers an Earn-Out Consideration in respect of each Target Entity, based on an agreed multiple of the average Adjusted NPAT of the relevant Target Entity over the Target Entity Growth Reference Period ("**Average Adjusted NPAT**"), as referred to below, less the applicable Base Consideration paid in respect of such Target Entity:*

i. SDE Acquisition

Average % Growth	Earn-Out Consideration (RM)
<i>Between 25% to 50%</i>	<i>11.0x Average Adjusted NPAT, less SDE Base Consideration</i>
<i>Above 50%</i>	<i>14.5x Average Adjusted NPAT, less SDE Base Consideration</i>

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ii. SDS Acquisition

Average % Growth	Earn-Out Consideration (RM)
Between 25% to 50%	10.0x Average Adjusted NPAT, less SDS Base Consideration
Above 50%	12.0x Average Adjusted NPAT, less SDS Base Consideration

iii. SOP Acquisition

Average % Growth	Earn-Out Consideration (RM)
Between 25% to 50%	10.0x Average Adjusted NPAT, less SOP Base Consideration
Above 50%	12.0x Average Adjusted NPAT, less SOP Base Consideration

- (d) The above agreed multiples for the Earn-Out Consideration were negotiated and arrived at after taking into account the multiples of industry comparables and the operating track record and future growth potential of each Target Entity.
- (e) Where applicable, the Earn-Out Consideration shall be apportioned between the relevant Sellers in proportion to their respective shareholding interests in the relevant Target Entity.
- (f) The Sellers' entitlement to the Earn-Out Consideration, if any, will be determined as soon as practicable following the issuance of the audited financial statements of each of the Target Entities for Target Entity FY2020, provided always that the Company shall notify the Sellers of the results of the assessment within no later than seven (7) days of the issuance of the relevant audited financial statements ("**Company Notification**").
- (g) For purposes of determining the Sellers' entitlements under the Earn-Out Consideration, the closing S\$ to RM exchange rate quoted by Bloomberg on the Business Day immediately preceding the date of the Company Notification shall apply.
- (h) **Illustrative Earn-Out Consideration**

	Target Entity FY2016	Target Entity FY2018	Target Entity FY2019	Target Entity FY2020
Adjusted NPAT	NPAT 1	NPAT 2	NPAT 3	NPAT 4
Year-on-year growth percentage	-	$G1 = (NPAT\ 2 / NPAT\ 1) - 1$	$G2 = (NPAT\ 3 / NPAT\ 2) - 1$	$G3 = (NPAT\ 4 / NPAT\ 3) - 1$
Average % Growth	$= (G1 + G2 + G3) / 3$			
Average Adjusted NPAT	$= (NPAT\ 2 + NPAT\ 3 + NPAT\ 4) / 3$			
Earn-Out Consideration	$= \text{Average Adjusted NPAT} \times \text{earn-out consideration multiple}^{(1)} - \text{Base Consideration}$			

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Note:

1. The earn-out consideration multiple to be used is determined by the Average % Growth achieved by the Target Entities and the corresponding agreed multiples as disclosed in Sections 2.6(c)(i), (ii) and (iii) of this Circular.

(i) **Rationale for the Earn-Out Consideration Structure**

In consideration of the risk factors as disclosed in Section 3.4 of this Circular, the Earn-Out Consideration structure allows for a portion of the Consideration to be determined at a later date based on the financial performance achieved by the Target Entities over the Target Entity Growth Reference Period, after having demonstrated continued financial performance and sustainability.

In addition, it is envisaged that the Earn-Out Consideration structure helps to align the interest of the Sellers in driving the financial performance of the Target Entities over the Target Entity Growth Reference Period post-completion of the Proposed Share Acquisition.

2.7 Settlement of Earn-Out Consideration

- (a) Each Seller entitled to any Earn-Out Consideration shall have the option of requiring the Company to effect the payment in cash ("**Cash Option**").
- (b) The relevant Seller may exercise the Cash Option by giving the Company written notice to that effect within no later than two (2) weeks of receipt of the Company Notification ("**Cash Option Exercise Period**"), failing which it will lapse.
- (c) If the Cash Option is exercised, the Company shall have up to six (6) months from the expiry of the Cash Option Exercise Period ("**Funding Period**") to source for and/or otherwise secure the necessary funds to make the full payment, provided always that the Company shall only be required to do so at reasonable cost and effort.
- (d) If the Company is able to source for or otherwise secure the necessary funds to make full payment within the Funding Period, the Company shall effect payment to the relevant Seller(s) within one (1) week of the funds becoming available.
- (e) If the Company is unable to source for and/or otherwise secure the relevant funds to make full payment within the Funding Period, the Company shall have the option of:
 - i. partially settling the Earn-Out Consideration, in cash, based on such funds as are readily available to the Company, to be distributed to the applicable Sellers, in proportion to their respective entitlements, within one (1) week of the expiry of the Funding Period; and
 - ii. settling the balance portion of the Earn-Out Consideration in Shares, as described below.

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- (f) *If the Cash Option is not exercised by any entitled Seller or is exercised but the Company is unable to fully settle the relevant payment, the Company shall satisfy the Earn-Out Consideration or balance Earn-Out Consideration, as the case may be, by the issue and allotment to the relevant Seller, or his nominee, of Shares (“Earn-Out Consideration Shares”), at the higher of the Agreed Issue Price or the average volume weighted average price of the Shares over the five (5) market days immediately preceding the date of the Company Notification, within two weeks of the expiry of the Cash Option Exercise Period or the Funding Period respectively.*
- (g) *The Earn-Out Consideration Shares shall rank pari passu in all respects with the existing Shares, save that they will not rank for any dividend, distribution or other entitlement the Record Date of which falls before the date of the Company Notification.*

Assuming the Consideration Cap applies, the maximum Earn-Out Consideration of approximately RM1,009.33 million (being the maximum Earn-Out Consideration of S\$420.00 million converted at the exchange rate of S\$1:RM3.1122 to RM1,307.12 million discounted by a weighted average cost of capital of 9.00% over a three (3) year period) would be recognised as a contingent consideration under the Group’s liabilities which will reduce the Group’s net asset value. Correspondingly, a negative merger reserve of approximately RM1,163.21 million would be recognised in the Group’s equity, which will reduce the Group’s net equity value to RM165.76 million. Please refer to Section 5.3 of this Circular for more details.

To achieve the Consideration Cap, however, the Average Adjusted NPAT for SDE, SDS and SOP over the Target Entity Growth Reference Period would have to be approximately RM57.96 million, RM39.54 million and RM12.25 million respectively, and the cumulative NPAT of the Target Entities over a three (3) year period would in aggregate be approximately RM329.28 million. The historical adjusted NPAT for SDE FY2016, SDS FY2016 and SOP FY2016 is RM8.54 million, RM5.82 million and RM1.80 million respectively. Please refer to Sections 3.1(c), 3.2(c) and 3.3(c) for more details.

As the aforesaid reduction in the Group’s net equity value inherently arises as a result of the applicable accounting treatment and does not take into account the earnings of the Target Entities over the relevant period, the Company does not foresee that this will impact the Company’s ability to source for the necessary funds to finance the payment of the Earn-Out Consideration to the Sellers.

Notwithstanding, as stated above, in the event the Company is unable to raise the relevant financing at reasonable cost and effort, the Company shall be entitled to settle any applicable Earn-Out Consideration in Shares.

2.8 SIL Restructuring

Aside from its shareholdings in the Target Entities, SIL currently holds other assets, i.e. in the form of shares in various other SPEs.

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Under the SPA, GPO has undertaken to the Company that he will, as soon as practicable following the execution of the SPA, take all necessary steps, at his own cost, to procure that, as at Completion, SIL shall have:

- (a) fully divested all of its assets and/or business, save only for its shareholdings in the Target Entities;*
- (b) fully satisfied, released and/or discharged all of its debts, liabilities and/or obligations, whether present or future and whether contingent or otherwise, including without limitation, contractual liabilities, profit guarantees, liabilities under any service agreements or employment contracts, liabilities to trade creditors, amounts, liabilities or obligations owing to any bank or other non-trade creditor, liabilities in respect of unpaid professional fees, product liabilities, warranty liabilities, liabilities under any claims, demands, causes of action, actions, suits or other proceedings (judicial, administrative, subject to arbitration or otherwise), liabilities under any judgment, tax liabilities; and*
- (c) if required by the Company, closed and/or terminated all of its existing bank accounts and/or banking facilities on or before Completion, or otherwise approved the replacement of the existing authorised signatories for such accounts and/or facilities with authorised signatories nominated by the Company, effective immediate upon Completion.*

i.e. with the intention that SIL will, on Completion, have no other assets or liabilities save for its shareholding interests in the Target Entities.

Pursuant to the SPA, GPO has also agreed to indemnify and hold the Company harmless against all losses, damages, costs (including legal costs on a full indemnity basis), claims, demands, proceedings and expenses which the Company may sustain, incur or pay by reason of any breach of the aforesaid undertakings on his part.

2.9 Parting Dividend

Subject to compliance with the Companies Act 2016 of Malaysia, each Target Entity may, prior to Completion, declare a special net dividend (“Parting Dividend”) of an amount not exceeding the aggregate of its cash and cash equivalents and its trade and other receivables collected prior to Completion, less the aggregate of its current trade and non-trade liabilities and Working Capital Requirement, all as based on its audited financial statements for Target Entity FY2016 and subject to satisfying its obligations under the conditions referred to in Sections 2.1(k) and 2.1(o) of this Circular, using such cash and cash equivalents as of Completion.

Based on the audited accounts for Target Entity FY2016 and applying the abovementioned formula, only SDS may be entitled to declare a Parting Dividend of up to RM5.99 million, subject to the relevant conditions being met.

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2.10 Non-Compete Undertaking

Under the SPA, each of GPO and the Minority Sellers have agreed and undertaken to the Company that, in conjunction with the Proposed Share Acquisition and with effect from Completion, they will not, directly or indirectly, either on their own account or in conjunction with or on behalf of any other person, firm or company:

- (a) engage or be concerned or interested in operating, performing and/or carrying on any business or activities (“**Competing Business**”) that are equivalent or similar to the businesses currently carried out or proposed to be carried out by the relevant Target Entity (“**Target Entity Business**”);*
- (b) acquire or hold any interest in any company which is engaged in any Competing Business or which is directly or indirectly controlled by any person engaged in any Competing Business;*
- (c) solicit or endeavour to entice away from dealing with the relevant Target Entity any person who was at any time a customer or supplier of such Target Entity; and/or*
- (d) hire, employ or endeavour to entice away from being hired or employed by the relevant Target Entity, any employee of such Target Entity, provided that nothing in this clause shall prevent any SPE (apart from the Target Entities) from hiring any person:*
 - i. whose employment with the relevant Target Entity was terminated by the relevant Target Entity; or*
 - ii. with the express written consent of the Company.*

In addition, GPO has warranted and undertaken to the Company that, with effect from Completion, none of the SPEs (apart from the Target Entities) shall:

- (a) utilise or incorporate any of the words “Digital Economy” (as a whole), “One Paradigm”, “Paradigm” and/or “Digitale”, or any words similar thereto, as part of their company name; or*
- (b) utilise or incorporate any of the words “One Paradigm” (as a whole) or “Digitale” otherwise in connection with their business operations.*

2.11 Ancillary Agreements

*The Ancillary Agreements, comprising the Symmetry Licence and the Transitional Services Agreement (“**TSA**”), involve different corporate entities which are not party to the SPA and the Company is desirous of continuing with the relevant arrangements post-Completion for continuity and to facilitate the operations of the Target Entities until the Company is in a suitable position to cease these arrangements. Further details of these agreements are set out below.*

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(a) TSA

SPRINTS is a company incorporated in Malaysia on 19 March 2001, that is wholly owned by Mr. Goh Peng Ooi and his nominee. Its principal business is marketing of computer equipment and software, licensing of software, providing modifications, implementation and maintenance services.

SPRINTS has been providing various administrative, financial, IT infrastructure and/or operational support services (“**Services**”) to each of the Target Entities in connection with their on-going business operations.

In addition, SPRINTS has been and is currently allowing each of SDS and SOP (“**Property Arrangement**”) to occupy and utilise part of its office premises at G01 & G03, KPMG Tower, First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor, Malaysia, as office space, in consideration of the following monthly office rental payments (“**Monthly Office Rental**”):

- i. a payment of RM12,600 per month by SDS to SPRINTS (for an area of 2,800 sq.ft., at RM4.50/sq.ft); and
- ii. a payment of RM6,300 per month by SOP to SPRINTS (for an area of 1,400 sq.ft., at RM4.50/sq.ft).

The landlord of the respective premises is a third party who is unrelated to GPO or the Target Entities or the Company, by way of director, CEO, substantial shareholder, or their respective associates.

The Monthly Office Rental is based strictly on the corresponding amount charged by this landlord to SPRINTS, without any markup. The Monthly Office Rental is, however, subject to proportionate increase in the event of any corresponding increase in the rental charged by the landlord of the premises to SPRINTS and/or the area of office space occupied by SDS and/or SOP, as the case may be.

It is a condition to Completion of the Proposed Share Acquisition under the SPA that SPRINTS executes a TSA with each of the Target Entities, agreeing to continue providing the Services to the relevant Target Entities, on the following terms:

- i. the TSA shall continue for an initial period of 6 months from the Completion Date and shall, at the option of the relevant Target Entity, exercisable upon giving written notice to SPRINTS to that effect, at least 30 calendar days prior to the expiry of the Initial Term, be renewable for a further period of six (6) months, on the same terms (save for the extension right) (“**Term**”);
- ii. in consideration of the provision of the Services, each of SDE and SDS shall pay SPRINTS a fee of RM15,000 per month and SOP shall pay SPRINTS a fee of RM10,000 per month, excluding office rental (collectively, the “**Charges**”);

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- iii. *the Charges shall be billed by SPRINTS at the end of each quarter, in arrears, and shall be payable by the relevant Target Entity within 30 calendar days of receipt of the invoice;*
- iv. *the relevant Target Entity shall have the option, at any time during the Term, of terminating any or all of the Services, without further liability (but without affecting any accrued rights or liabilities of either Party), subject to giving SPRINTS at least one (1) month's written notice of its intention to do so;*
- v. *if a Target Entity terminates any portion of the Services, it shall be entitled to a reasonable reduction in the Charges for the terminated Services, and the Parties agree to negotiate in good faith on the appropriate amount of such reduction;*
- vi. *following the termination of the TSA or any of the Services or the expiry of the Term, as the case may be, SPRINTS agrees to provide the relevant Target Entity with reasonable support and assistance, in a timely and co-operative manner, to facilitate the transition of the Services and the return of all information of the relevant Target Entity in the possession or under the control of SPRINTS to the relevant Target Entity or any new service provider engaged by such Target Entity, including, without limitation, implementing any required migration activities;*
- vii. *subject to the limitation provisions, SPRINTS shall indemnify and hold harmless the relevant Target Entity and its directors, officers and employees from and against any claims, loss, damage, costs (including legal fees on a full indemnity basis), expenses and/or other liability that they may suffer or incur as a result of any breach by the SPRINTS or any of its directors, officers, employees or authorised sub-contractors of any of SPRINTS' obligations under the TSA;*
- viii. *the maximum liability of SPRINTS and its directors, officers, employees, agents or subcontractors to the relevant Target Entity and its directors, officers and employees, for any claims, loss, damage, costs (including legal fees on a full indemnity basis), expenses and/or other liability arising out of or relating to SPRINTS engagement and/or performance of its obligations under the TSA shall in no case exceed the aggregate amount of Charges paid by the relevant Target Entity to SPRINTS prior to the date on which the relevant claim, liability or cause of action accrued, provided that nothing in the TSA shall operate to exclude or limit SPRINTS' liability for fraud, wilful misconduct, gross negligence, death or personal injury or any breach of its obligations relating to the protection of the relevant Target Entity's personal data, the use of the relevant Target Entity's intellectual property rights and/or its obligations of confidentiality arising from its own act, omission or negligence, or that of its directors, officers, employees, agents or subcontractors.*

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The TSA between SPRINTS and each of SDS and SOP also provides that:

- i. in consideration of the continued payment by each of SDS and SOP of their respective Monthly Payment to SPRINTS, SPRINTS shall allow each of SDS and SOP to continue to occupy their current office premises throughout the Term, and, if so required by either SDS or SOP to execute a fresh agreement with the each of SDS and SOP, on the same terms, for this purpose;
- ii. notwithstanding any other provision of the TSA each of SDS and SOP may terminate the aforesaid arrangement at any time during the Term, without any further liability (but without affecting any accrued rights or liabilities of either Party), subject to giving SPRINTS at least one (1) month's written notice of its intention to do so.

Each of SDS and SOP have since commenced sourcing for alternative premises and expect to be able to secure the same prior to the expiry of the term of the TSA.

(b) Symmetry Licence

SSTR is the owner of the Symmetry Software, which comprises rules engines used to build agile solutions with minimal coding, programming and customisation. These rules engines provide users with self-service capabilities to define and modify business logics.

SSTR has been allowing the Target Entities a licence to use and exploit the Symmetry Software in connection with their respective business operations, including bundling and sub-licensing the use of the Symmetry Software to customers of the relevant Target Entity, together with the relevant Target Entity's own proprietary software. Other SPEs (apart from the Target Entities) are also concurrently using the Symmetry Software in connection with their own operations.

Both the Symmetry Software and the Target Entities' proprietary software are protected by copyright law in favour of SSTR and the relevant Target Entity respectively.

In consideration of, inter alia, the Proposed Share Acquisition and each Target Entity's efforts and assistance in helping SSTR to market and promote the Symmetry Software, it is a condition to Completion of the Proposed Share Acquisition under the SPA that SSTR executes the Symmetry Licence with each of the Target Entities, pursuant to which, SSTR shall grant to each of the Target Entities a licence to Use (as defined in the Symmetry Licence) the Symmetry Software ("**Licence**"), on the following terms:

- i. the Licence shall be non-exclusive, non-transferable, sub-licensable and on a licence and/or royalty free basis, in connection with all customers of the relevant Target Entity acquired prior to the expiry of ten (10) years from the Completion Date ("**Royalty Free Period**") (note: Royalty Investment Period is the period granted by SSTR to the Target Entities to freely exploit the Symmetry Software in connection with the Target Entity's operations

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and the Company will assess within this ten (10) year period whether it intends, following the expiry of the initial ten (10) year period, to pay for the Licence, on the terms as further described below, or to develop its own equivalent software internally or acquire such equivalent software from external sources);

- ii. thereafter (if the Company decides to continue with the arrangement), the Licence shall continue on a non-exclusive, non-transferable, sub-licensable basis, subject to payment by the relevant Target Entity to SSTR of a licence and/or royalty fee amounting to 5%, for each of SDS and SOP, and 2%, for SDE, of the licence fee charged by the relevant Target Entity to any new customers acquired by it after the expiry of the Royalty Free Period (“**New Clients**”) for the Use of any software modules and/or components of the relevant Target Entity that incorporate the Symmetry Software (“**Licence Fee**”), subject to the following terms:*
 - a. the Licence Fee shall strictly be based on that portion of the licence fee charged by the relevant Target Entity to such New Clients in respect of those components and/or modules of the relevant Target Entity’s software that actually incorporate or Use the Symmetry Software (note: both the Licence Fee and the differential in Licence Fees as between the various Target Entities were commercially negotiated and agreed by the parties based on an assessment of the relative importance of the Symmetry Software to the relevant Target Entity’s operations and the relevant percentage was prescribed in Symmetry Licence to provide a baseline for any future imposition of the Licence Fee); and*
 - b. payment of the Licence Fee shall, in any event, be subject to the approval of the Shareholders, in so far as such approval may be required under Chapter 9 of the Listing Manual. Where necessary, prior to the expiry of the Royalty Free Period, an extraordinary general meeting of the Company would be convened for the purposes of seeking Shareholders’ approval for the payment of the Licence Fee;*
- iii. the relevant Target Entities shall have the right to carry out software development works in respect of the Symmetry Software, wherein all intellectual property rights arising in or to such software developments works shall vest in the relevant Target Party and may be exploited as it thinks fit, without the consent of SSTR;*
- iv. if SSTR undertakes any development works in respect of the Symmetry Software, such works shall be deemed to form part of the Symmetry Software and shall be subject to the Licence;*
- v. SSTR undertakes to each Target Entity to:*
 - a. provide updates of the specifications for the Symmetry Software, as and when issued or created by SSTR; and*
 - b. fix all defects, bugs and/or errors arising in connection with the use of the Symmetry Software, at no charge;*

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- vi. *the relevant Target Entity shall be entitled to request SSTR, in writing, from time to time, to undertake, and, upon receipt of such request, SSTR agrees to undertake, within such reasonable timeline as the parties may agree, such enhancement works to the Symmetry Software (“Enhancements”) as the relevant Target Entity may require, subject to such Target Entity paying SSTR a service fee for such Enhancements, based on the man-day rates specified in the Master Services Agreement, entered into between the Company and GPO, on 23 September 2008 (“MSA”), as may be revised from time to time in accordance with its terms, and provided that all intellectual property rights in or to any Enhancements shall vest in the relevant Target Entity (note: the MSA is between the Company and GPO and forms part of the general mandate for interested person transactions (“IPT Mandate”) that the Company has been renewing at its annual general meetings (“AGM”) since 2009, and which was last renewed at the Company’s 2017 AGM. The MSA is valid for as long as GPO and his associates remains an interested person of the Company and the IPT Mandate is renewed by the Minority Shareholders);*
- vii. *the Symmetry Licence shall continue in perpetuity unless:*
 - a. *terminated by either party upon giving the other at least six (6) months written notice after the expiry of the Royalty Free Period;*
 - b. *the relevant Target Entity becomes insolvent or goes into liquidation, in which event it shall automatically terminate;*
 - c. *the relevant Target Entity breaches any of its obligations and fails to remedy the same within 30 days of receipt of notice to do so;*
- viii. *termination of the Symmetry Licence will not extinguish or otherwise affect any licences granted by the relevant Target Entity to any of its customers prior to such termination or any accrued rights and/or liabilities of either Party.*

The Audit Committee of the Company has reviewed the procedures in the existing IPT Mandate and confirms that the existing procedures and methods are sufficient to ensure that the existing interested person transactions as well as the new interested person transactions arising from the Proposed Transaction will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and the Minority Shareholders. The Audit Committee will continue to review all interested person transactions with any interested person to ensure that such interested person transactions are carried out on normal commercial terms and in accordance with the review procedures for interested person transactions as set out in the Company’s Circular to Shareholders dated 2 October 2008.

5. EVALUATION OF THE PROPOSED TRANSACTION

In reaching our recommendation in respect of the Proposed Transaction, we have given due consideration to the following factors:

- (a) the rationale for the Proposed Transaction;

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- (b) historical Volume-Weighted Average Price of SAL;
- (c) comparison of Enterprise Value to Sales, Enterprise Value to EBITDA and Price to NPAT of the relevant peer groups;
- (d) Other relevant considerations which may have a significant bearing on our assessment of the Proposed Transaction;
- (e) comparison of Enterprise Value to Sales, Enterprise Value to EBITDA and Price to NPAT of comparable transactions.

5.1. The Rationale for the Proposed Transaction

SAL's views of the rationale and benefits of the Transaction are set out in Section 4 of the Circular. We recommend that the Independent Directors advise the Shareholders to read this section of the Circular carefully.

We have reproduced below the section in respect of the Proposed Transaction:

The Company's primary business is providing core banking software solutions. This is the back-end system that processes daily banking transactions and posts updates to accounts and other financial records. Core banking solution comprise of deposit, loan and credit processing capabilities, with interfaces to general ledger systems and reporting tools.

As set out in the Announcement, Financial technology (Fintech) is a broad sector, with a long history and, as far back as 1989, the Company had already endeavoured to start its own Fintech revolution, in South East Asia, by applying a 'mathematical core' approach to the banking industry and the Company has since grown to become the region's leading core-banking solution provider.

Recognising the need for continued innovation and evolution, the Company has, over the past seven years, embarked on a journey of transformation by making a number of key investments, with a view to enhancing its digital economy offerings. These investments have contributed positively to the growth of the Company and enhanced its capabilities as a digital economy partner of choice.

*Notably, the past three (3) years have seen rapid expansion of Fintech innovations and disruptions which are challenging traditional banks to be more agile, collaborative and open and, being acutely aware of these changes, the Company is seeking to advance its Fintech transformation journey "**From Software Provider to Innovation Accelerator**", by driving further synergies from its acquired businesses and identifying suitable potential acquisition targets.*

As further detailed below, the Target Entities variously provide the front and middle layer to enhance the Company's digital capabilities. These layers are plugged into core banking systems to provide digital engagement and digital experience capabilities.

The Company currently does not hold any shares of the Target Entities and the proposed 100% acquisition of the Target Entities will allow the Company to consolidate the results of the Target Entities, which the Company has assessed based on their respective operating track records and future growth potential.

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The proposed acquisition of the Target Entities is, accordingly, expected to enhance the Company's overall competitiveness in the current Fintech-era and expand its revenue, product offerings and markets.

SDE Acquisition

As stated earlier, SDE has designed and developed a digital banking platform, which provides a one-stop solution for banks seeking to transform from a traditional operating model to a digital banking model, helping them to better position themselves to compete against new Fintech entrants, with lower cost-to-income ratios.

SDE also has the capability of addressing the relatively large and untapped Sharia-banking market, with Sharia-compliance fulfilment modules, to help banks automate and digitise their customer-on boarding and Sharia-financing origination processes. Today, three (3) of the Company's customers have successfully integrated their SIBS core-banking solution to SDE's platform.

SDE's enhanced digital capabilities and the existing close-working relationship between the Company and SDE, make this a compelling acquisition to strengthen the Company's position as an innovation accelerator business partner.

SDS & SOP Acquisitions

In the rapidly evolving Fintech world, most innovative start-ups can be classified into three (3) general categories, i.e. lending/payments, data-analytics and e-commerce eco-systems.

SDS operates in all three of these areas. Since it commenced operations in 2013, SDS' 'IntelliSuite' solutions have been continually evolving, in line with market requirements. In particular:

- (a) 'IntelliHubz' manages B2B financing and payments;*
- (b) 'IntelliSwitch' is a payments switch with intelligent decision capabilities; and*
- (c) 'IntelliPayz' addresses the consumers' e-commerce eco-system.*

With established regional banks as their existing customers, a good track record in payments-related transformation projects and an existing close-working relationship with the Company in integrating 'IntelliSuite' to SIBS core banking solution, the acquisition of SDS will enhance the Company's ability to better deliver financial technology innovations.

SOP, which commenced operations in 2015, offers a rules-based solution, called 'NowSuite', that addresses the "now" aspects of customer bonuses, promotions, loyalty and incentives.

The 'NowSuite' solution helps banks, retailers, airlines, telecoms and hospitality firms manage and enhance their real-time customer engagement processes and, using their unique rules engine solution, they can also work with card issuers and acquirers. Today, 'NowSuite' is implemented in several of the Company's SIBS core banking customers to provide innovative value-add in customer engagement and product pricing.

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SOP and SDS work closely with each other in their respective operations and customer delivery engagements.

Rationale for the Ancillary Agreements

SPRINTS has been providing various administrative, financial and/or operational support services, together with services reasonably ancillary or intrinsic thereto, to each of the Target Entities in connection with their on-going business operations. In addition, SDS and SOP have been leasing office premises from SPRINTS. With a view to enable the Target Entities to carry on their business as usual, it is intended that SPRINTS continue to provide the backend administration and support services to these Target Entities as well as to continue leasing the office premises to SDS and SOP, in accordance with the terms of the TSA.

SSTR is the owner of the Symmetry Software. SSTR is desirous of exploring new ways to add value to the Symmetry Software, as well as avenues for its commercial exploitation, whereas each of the Target Entities is desirous of developing the Symmetry Software together with proprietary products owned and developed by the Target Entities. As such, the entry into the Symmetry Licence between SSTR and each of the Target Entities will provide a good opportunity for SSTR and each of the Target Entities to collaborate.

Overall, the Board is of the view that the Proposed Transaction will enable the Company to have a significantly larger financial technology platform with the scope, scale and operating leverage needed to strategically expand in an evolving market and strengthen its position as an innovation accelerator in the rapidly changing financial ecosystem.

5.2. Historical Volume-Weighted Average Price

In our evaluation of the Agreed Issue Price of S\$0.71 per Share, we considered the historical Volume-Weighted Average Price (“**VWAP**”) of SAL for a period of 1 year leading up to the SPA Announcement Date and from the SPA announcement date (“**SPA Announcement Date**”) to the Latest Practicable Date for which information is publicly available and extracted.

The information in the table below is for illustration purposes only, noting that historical trend may not be indicative of future performance of the Share Price. We further note that the context of historical VWAP might differ to the current context of the historical VWAP in terms of market risks, market outlooks and other relevant criteria.

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For the above reasons, while the Historical VWAP taken as a whole may provide a broad and indicative benchmark for assessing the Agreed Issue Price, care has to be taken as historical trend may not be indicative of future performance.

Historical VWAP Analysis					
	Period		VWAP (S\$)	Proposed issue price	Implied premium/ (discount)
	From	To			
SPA					
Announcement Date to LPD	20-Oct-17	30-Jan-18	0.5877	0.71	20.81%
SPA					
Announcement Date	20-Oct-17	20-Oct-17	0.5985	0.71	18.63%
1 week	13-Oct-17	20-Oct-17	0.5964	0.71	19.05%
2 weeks	06-Oct-17	20-Oct-17	0.5922	0.71	19.89%
1 month	21-Sep-17	20-Oct-17	0.5890	0.71	20.54%
3 months	21-Jul-17	20-Oct-17	0.5985	0.71	18.63%
6 months	21-Apr-17	20-Oct-17	0.5849	0.71	21.39%
12 months	21-Oct-16	20-Oct-17	0.5845	0.71	21.47%

Source: Bloomberg as at LPD

Based on the table above, we note the following with regard to the historical VWAP:

- (a) The historical VWAP at the SPA Announcement Date, one-week, two-week, one-month, three-month, six-month and twelve-month periods leading up to and including the SPA announcement date is at a premium between the range of 18.63% to 21.47% as compared to the Agreed Issue Price of S\$0.71 per Share.
- (b) The historical VWAP from the SPA Announcement Date to LPD of 0.5877 is at a 20.81% premium to the Agreed Issue Price of S\$0.71 per Share.

5.3. Comparison of Enterprise Value to Sales, Enterprise Value to EBITDA and Price to NPAT of relevant peer groups

For the purposes of assessing the Enterprise Value to Sales, Enterprise Value to EBITDA and Price to NPAT of the Proposed Transaction, we have considered companies whose principal business is broadly comparable to the relevant Target Entities (“Peer Group”).

We have had discussions with the Company Management about the suitability and reasonableness of the Peer Group acting as a basis for comparison with the relevant Target Entities. Relevant information has been extracted from respective company announcements. We make no representations or warranties, expressed or implied, as to the accuracy or completeness of such information. The Peer Group companies’ accounting policies with respect to the values for which the assets or revenue and costs are recorded may differ from that of the Target Entities.

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We wish to highlight that the Peer Group may not be exhaustive and they may differ from the relevant Target Entities in terms of, *inter alia*, market capitalisation, size of operations, clientele, composition of business activities, asset base, geographical spread, track record, operating and financial leverage, risk profile, liquidity, accounting policies, tax regimes, future prospects and other relevant criteria respectively.

As such, any comparison made is necessarily limited and merely serves as an illustrative guide.

The comparison is based on the following ratios which are defined as below:

Enterprise Value-to-Sales¹ where the sales of a company are computed based upon the LTM period ending on the most recent quarter for which financial results have been published. The reference period for the computation of Sales of the Target Entities is as of December 2016.

“**EV**” or “**Enterprise Value**” is the sum of a company’s market capitalisation, preferred equity, minority interests, short and long term debts less its cash and cash equivalents. “**EBITDA**” stands for historical consolidated earnings before interest, tax, depreciation and amortisation expenses.

Pursuant to Sections 2.1(k) and 2.1(o) of the Circular, we have assumed that the Proposed Transaction is on a cash free and debt free basis. Therefore, Enterprise value = Equity Value subject to any working capital adjustments as set out in Sections 2.1(k) and 2.1(o) of the Circular.

Enterprise Value-to-EBITDA¹ where the EBITDA of a company is computed based upon the LTM period ending on the most recent quarter for which financial results have been published. The reference period for the EBITDA computation of the Target Entities is as of December 2016.

Pursuant to Sections 2.1(k) and 2.1(o) of the Circular, we have assumed that the Proposed Transaction is on a cash free and debt free basis. Therefore, Enterprise value = Equity Value subject to any working capital adjustments as set out in Sections 2.1(k) and 2.1(o) of the Circular.

¹ Based on the terms of the SPA as set out in Sections 2.1(k) and 2.1(o) of the Circular, the Base Consideration is determined on a cash free and debt free basis. Accordingly, on closing of the Proposed Transaction, the Target Entities would have fully settled or discharged any loans, liabilities and/or obligations and any cash above the Working Capital Requirement will be declared as Parting Dividend. Therefore, in the absence of Working Capital Requirement adjustment, Enterprise Value = Equity Value

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Price-to-Earnings where the earnings of a company are computed based upon the last-twelve-month (“LTM”) period ending on the most recent quarter for which financial results have been published. The reference period for the computation of Earnings of the Target Entities is as of December 2016.

The P/E is the ratio of market capitalisation relative to its profit after tax attributable to shareholders of the Company (“NPAT”). The P/E is affected by, *inter alia*, the capital structure of a Company, its tax position as well as its accounting policies relating to depreciation and intangible assets.

In our analysis, we have considered the maximum price payable (on a Price-to-Earnings basis) agreed under the earn-out structure as set out in Section 2.6 of the Circular.

5.3.1. SDE

As SDE is primarily engaged in the activities of designing and development of proprietary digital banking platform for financial institutions, we have considered listed companies that are involved in similar principal businesses and serving similar clientele.

Peer Group	Country	Business Description	EV (USDm)	Market Cap (USDm)	Revenue LTM (USDm)	EV/ Sales	EV/ EBITDA	P/E
Tata Consultancy Services Limited	India	Provides information technology (IT) and IT enabled services worldwide.	90,339	96,003	18,918	4.8x	18.0x	23.3x
Infosys Limited	India	Provides business IT services such as application development, app validation, infrastructure management, and business process management.	36,750	40,365	10,703	3.4x	12.8x	16.4x
Fidelity National Information Services, Inc.	United States	Offers a range of solutions in retail and institutional banking, payments, asset and wealth management, and risk and compliance in the United States.	42,778	34,285	9,240	4.6x	16.9x	63.7x
Fiserv Inc	United States	Provides financial services technology worldwide.	34,593	29,807	5,611	6.2x	19.6x	32.6x
Temenos Group AG	Switzerland	Provides integrated banking software systems primarily to banking and financial institutions worldwide.	9,998	9,720	694	14.4x	52.2x	73.2x

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Peer Group	Country	Business Description	EV	Market Cap	Revenue	EV/ Sales	EV/ EBITDA	P/E
			(USDm)	(USDm)	LTM (USDm)			
Oracle Financial Services Software Limited	India	Provides IT solutions and knowledge processing services to the financial services industry worldwide.	5,229	5,612	718	7.3x	17.4x	28.4x
PT Anabatic Technologies Tbk	Indonesia	Provides integrated IT solutions in Indonesia. It offers mission-critical solutions that cover end to end application, including hardware and software implementation, customization, and routine maintenance.	225	118	331	0.7x	11.4x	36.9x
Microlink Solutions Berhad	Malaysia	Engages in the research and development of information technology solutions to the financial services industry internationally.	38	30	61	0.6x	9.3x	12.0x
SDE Base Consideration						3.2x	9.5x	11.0x
SDE Consideration (including earn-out)						14.5x		
Average						5.3x	19.7x	35.8x
Median						4.7x	17.2x	30.5x
Min						0.6x	9.3x	12.0x
Max						14.4x	52.2x	73.2x

Source: Capital IQ as at LPD

Based on the table above, we note that:

- (a) The Enterprise Value to Sales ratio of the SDE Base Consideration of 3.2x is below the average and median of the Peer Group of 5.3x and 4.7x respectively and within range of the Peer Group.
- (b) The Enterprise Value to EBITDA ratio of the SDE Base Consideration of 9.5x is below the average and median of the Peer Group of 19.7x and 17.2x respectively and within the range of the Peer Group.

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- (c) The Price to Earnings ratio of the SDE Base Consideration and SDE Consideration (including earn-out) of 11.0x and 14.5x respectively is below the average and median of the Peer Group of 35.8x and 30.5x respectively. It is also noted that the SDE Base Consideration and SDE Consideration (including earn-out) is below and within the range of the Peer Group respectively.

5.3.2. SDS

As SDS is primarily engaged in the activities of designing and development of payment solution-related software modules and components for financial institutions and emerging non-bank payment providers, we have considered listed companies that are involved in similar principal businesses and serving similar clientele.

Company	Country	Business Description	EV	Market Cap	Revenue	EV/ Sales	EV/ EBITDA	P/E
			(USDm)	(USDm)	LTM (USDm)			
Fidelity National Information Services, Inc.	United States	Offers a range of solutions in retail and institutional banking, payments, asset and wealth management, and risk and compliance in the United States.	42,778	34,285	9,240	4.6x	16.9x	63.7x
Atos SE	France	Provides information technology services and solution worldwide.	16,919	16,678	15,279	1.1x	8.3x	21.8x
Temenos Group AG	Switzerland	Develops, markets, and sells integrated banking software systems primarily to banking and other financial services institutions worldwide.	9,998	9,720	694	14.4x	52.2x	73.2x
Oracle Financial Services Software Limited	India	Provides information technology (IT) solutions and knowledge processing services to the financial services industry worldwide.	5,229	5,612	718	7.3x	17.4x	28.4x
Nucleus Software Exports Limited	India	Engages in software product development and marketing, and providing support services for corporate business entities in the banking and financial services sector in India and internationally.	188	215	62	3.0x	21.3x	21.9x

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Company	Country	Business Description	EV	Market Cap	Revenue	EV/ Sales	EV/ EBITDA	P/E	
			(USDm)	(USDm)	LTM (USDm)				
Intelligent Wave Inc.	Japan	Provides system development services and system products in Japan.	134	159	66	2.0x	15.7x	36.1x	
AurionPro Solutions Limited	India	Engages in the software development and related activities primarily in India, the United States, the Middle East, Singapore, and internationally.	98	83	103	1.0x	7.3x	15.2x	
SDS Base Consideration						2.4x	6.3x	8.0x	
SDS Consideration (including earn-out)									12.0x
Average						4.8x	19.9x	37.2x	
Median						3.0x	16.9x	28.4x	
Min						1.0x	7.3x	15.2x	
Max						14.4x	52.2x	73.2x	

Source: Capital IQ as at LPD

Based on the table above, we note that:

- (a) The Enterprise Value to Sales ratio of the SDS Base Consideration of 2.4x is below the average and median of the Peer Group of 4.8x and 3.0x respectively and within the range of the Peer Group.
- (b) The Enterprise Value to EBITDA ratio of the SDS Base Consideration of 6.3x is below the average and median of the Peer Group of 19.9x and 16.9x respectively and below the range of the Peer Group.
- (c) The Price to Earnings ratio of the SDS Base Consideration and SDS Consideration (including earn-out) of 8.0x and 12.0x respectively is below the average and median of the Peer Group of 37.2x and 28.4x respectively and below the range of the Peer Group.

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SOP

As SOP is primarily engaged in the activities of designing and development of rules-based applications and tools that have been configured using industry specific rule models for both financial and non-financial institutions, we have considered listed companies that are involved in similar principal businesses and serving similar clientele.

Company	Country	Business Description	EV	Market Cap	Revenue	EV/ Sales	EV/ EBITDA	P/E
			(USDm)	(USDm)	LTM (USDm)			
Technology One Limited	Australia	Develops, markets, sells, implements, and supports integrated enterprise business software solutions in Australia, New Zealand, and internationally.	1,199	1,274	221	5.4x	23.8x	35.5x
Sunyard System Engineering Co., Ltd.	China	Engages in the research and development of software and technology products and services in China and internationally.	768	778	222	3.5x	45.7x	76.2x
Axway Software SA	United States	Publishes enterprise software for governing the flows of data that facilitates interactions of commercial enterprises or governments worldwide.	626	586	371	1.7x	10.8x	20.5x
Beijing Advanced Digital Technology Co., Ltd.	China	Provides various software solutions for financial and customer relationship needs in China.	481	477	157	3.1x	42.9x	54.8x
Majesco Limited	India	Provides software and IT services to insurance companies worldwide.	202	211	122	1.7x	40.4x	68.1x
Senior Solution S.A.	Brazil	Engages in the development and commercialization of software applications for the financial sector in Brazil.	94	95	38	2.4x	15.9x	52.6x

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Company	Country	Business Description	EV	Market Cap	Revenue	EV/Sales	EV/EBITDA	P/E
			(USDm)	(USDm)	LTM (USDm)			
Virinchi Limited	India	Provides information technology products and services in North America, Europe, the Middle East, and the Asia Pacific.	81	56	53	1.5x	6.4x	11.7x
SOP Base Consideration						3.3x	7.5x	8.0x
SOP Consideration (including earn-out)								12.0x
Average						2.8x	26.6x	45.6x
Median						2.4x	23.8x	52.6x
Min						1.5x	6.4x	11.7x
Max						5.4x	45.7x	76.2x

Source: Capital IQ as at LPD

Based on the table above, we note that:

- (a) The Enterprise Value to Sales ratio of the SOP Base Consideration of 3.3x is above the average and median of the Peer Group of 2.8x and 2.4x respectively and within range of the Peer Group.
- (b) The Enterprise Value to EBITDA ratio of the SOP Base Consideration of 7.5x is below the average and median of the Peer Group of 26.6x and 23.8x respectively and within the range of the Peer Group.
- (c) The Price to Earnings ratio of the SOP Base Consideration and SOP Consideration (including earn-out) of 8.0x and 12.0x respectively is below the average and median of the Peer Group of 45.6x and 52.6x respectively. It is also noted that the Base Consideration and SOP Consideration (including earn-out) is below and within the range of the Peer Group respectively.

5.4. Comparison of Enterprise Value to Sales, Enterprise Value to EBITDA and Price to NPAT of comparable transactions

For the purposes of assessing the Enterprise Value to Sales, Enterprise Value to EBITDA and Price to NPAT of the Proposed Transaction, we have considered similar transactions with targets whose principal business is broadly comparable to the relevant Target Entities (“Comparable Transaction”). Due to the limited availability of information, we have considered majority stake transactions involving software companies serving financial institutions from various markets around the world.

We have had discussions with the Company Management about the suitability and reasonableness of the Comparable Transaction acting as a basis for comparison with the relevant Target Entities. Relevant information has been extracted from publicly available sources. We make no representations or warranties, expressed or implied, as to the accuracy or completeness of such information. The Comparable Transaction’s target

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company's accounting policies with respect to the values for which the assets or revenue and costs are recorded may differ from that of the relevant Target Entities.

We wish to highlight that the Comparable Transaction may not be exhaustive and they may differ from the relevant Target Entities in terms of, inter alia, transaction nature, transacted stake, transaction size, size of operations, clientele, composition of business activities, asset base, geographical spread, track record, operating and financial leverage, risk profile, liquidity, accounting policies, tax regimes, future prospects and other relevant criteria respectively.

As such, any comparison made is necessarily limited and merely serves as an illustrative guide.

Date	Target Company	Buyer	Target Description	Stake	Country	EV	EV/ Sales	EV/ EBITDA	P/E
				%	(USDm)				
Jul-2017	Archway Technology Partners, LLC	SEI Investments Company	US-based company engaged in developing software solutions for the investment and accounting industry.	100%	USA	80	4.5	22.2	NA
Jun-2017	SMS Management & Technology Limited	ASG Group Ltd	Australia-based company providing consulting, technology and system integration related services.	100%	Australia	104	0.4	8.7	12.9
Mar-2017	DH Corporation	Vista Equity Partners	Canada-based provider of financial technology for lending and payment processing by banks and other financial institutions.	100%	Canada	3,428	2.7	11.0	NA
Feb-2017	Rubik Financial Limited	Temenos Group AG	Listed Australia-based company headquartered in Sydney, is a provider of cloud-based software suite to the financial services sector.	100%	Australia	56	1.7	16.0	NA
Sep-2016	Financial Synergy	Iress Limited	Australia-based company that provide fund administration software to the superannuation and wealth management industries.	100%	Australia	69	3.3	9.6	NA
Sep-2016	Totalsoft S.A.	Logo Yazilim Sanayi ve Ticaret AS	Romania-based company that develops ERP software solutions.	100%	Romania	34	1.4	8.6	NA

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Date	Target Company	Buyer	Target Description	Stake	Country	EV	EV/ Sales	EV/ EBITDA	P/E
				%		(USDm)			
Nov-2015	Polaris Consulting & Services Limited (77.7% Stake)	Virtusa Corporation	India-based financial technology company engaged in the business of information technology (IT) services and IT-enabled services delivering customized software solutions and products in the domain of contemporary services, which include banking and financial services.	77%	India	296	1.0	7.3	13.2
Sep-2015	Primatics Financial LLC	SS&C Technologies Holdings Inc	US-based consulting and technology solutions firm that offers services and software products to financial institutions.	100%	USA	122	2.4	10.2	NA
Sep-2015	Exictos-Sociedade Gestora de Participacoes Sociais, S.A.	Asseco Poland SA	Portugal-based IT company specialized in the production and implementation of banking software including core banking, payments solutions and risk and compliance software.	61%	Portugal	39	0.8	NA	7.1
May-2015	Comas Inc	Daewoo Information Systems Co Ltd	South Korea-based company that provides IT solutions for domestic and foreign banks, and other financial institutions	54%	South Korea	71	0.4	10.9	15.6
Apr-2015	Finzsoft Solutions Limited	Silverlake HGH Ltd	New Zealand-based company engaged in developing, selling, and supporting computer software for the banking and finance sector.	88%	New Zealand	19	2.4	14.9	NA

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Date	Target Company	Buyer	Target Description	Stake	Country	EV	EV/ Sales	EV/ EBITDA	P/E
				%		(USDm)			
Mar-2015	Fundtech Ltd.	DH Corporation	Israel-based provider of financial transaction processing software solutions for financial institutions.	100%	Israel	1,250	4.8	19.4	NA
Mar-2015	SSP Holdings Limited	LDC (Managers) Limited; Scottish Equity Partners LLP	UK-based provider of IT solutions to the global insurance & financial services industries.	100%	United Kingdom	306	2.7	10.4	NA
Oct-2014	Strategic Payments Services Pty Ltd.	Cuscal Limited	Australia-based company engaged in designing and developing electronic payments processing solutions for financial institutions, retailers, and businesses.	100%	Australia	33	1.8	65.6	NA
Jun-2014	Aloc A/S	Vitec Software Group AB	Denmark-based provider of financial software applications for financial institutions and corporations.	100%	Denmark	13	0.9	5.9	NA
Mar-2014	Intellect Design Arena Limited	Polaris Financial Technology Limited (Shareholders)	India-based provider of advanced and integrated enterprise platforms for Banking and Insurance with a comprehensive portfolio of products around Consumer Banking, Transaction Banking, Risk & Treasury Management and Insurance.	100%	India	113	1.5	9.0	NA
Jan-2014	Decimal Group Pty Ltd	Decimal Software Limited	Australia-based provider of cloud-based solutions to the financial services sector.	100%	Australia	18	73.7	9.1	NA

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Date	Target Company	Buyer	Target Description	Stake	Country	EV	EV/ Sales	EV/ EBITDA	P/E
				%		(USDm)			
Jan-2013	Online Resources Corporation	ACI Worldwide, Inc.	US based provider of online banking and full-service bill pay solutions to financial institution, biller, card issuer and creditor clients.	100%	United States	238	1.5	10.4	NA
SDE Base Consideration							3.2x	9.5x	11.0x
SDE consideration (Including earn-out)									14.5x
SDS Base Consideration							2.4x	6.3x	8.0x
SDS Consideration (Including earn-out)									12.0x
SOP Base Consideration							3.3x	7.5x	8.0x
SOP Consideration (Including earn-out)									12.0x
Average							6.0x	14.7x	12.2x
Median							1.8x	10.4x	13.0x
Min							0.4x	5.9x	7.1x
Max							73.7x	65.6x	15.6x

Based on the table above, we note that:

SDE

- (a) The Enterprise Value to Sales ratio of the Base Consideration of 3.2x is below the average and above the median of the Comparable Transaction of 6.0x and 1.8x respectively and within range of the Comparable Transactions.
- (b) The Enterprise Value to EBITDA ratio of the Base Consideration of 9.5x is below the average and median of the Comparable Transactions of 14.7x and 10.4x respectively and within the range of the Comparable Transactions.
- (c) The Price to Earnings ratio of the Base Consideration of 11.0x is below the average and median of the Comparable Transactions of 12.2x and 13.0x respectively. The Price to Earnings ratio of the SDE Consideration (including earn-out) of 14.5x is above the average and median of the Comparable Transactions of 12.2x and 13.0x respectively. Both Base Consideration and SDE Consideration (including earn-out) are within the range of the Comparable Transactions.

SDS

- (a) The Enterprise Value to Sales ratio of the Base Consideration of 2.4x is below the average of 6.0x and above the median of 1.8x respectively and within range of the Comparable Transactions.
- (b) The Enterprise Value to EBITDA ratio of the Base Consideration of 6.3x is below the average and median of the Comparable Transactions of 14.7x and 10.4x respectively and within the range of the Comparable Transactions.

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- (c) The Price to Earnings ratio of the Base Consideration and SDS Consideration (including earn-out) of 8.0x and 12.0x respectively is below the average and median of the Comparable Transactions of 12.2x and 13.0x respectively and within the range of the Comparable Transactions.

SOP

- (a) The Enterprise Value to Sales ratio of the Base Consideration of 3.3x is below the average and above the median of the Comparable Transactions of 6.0x and 1.8x respectively and within range of the Comparable Transactions.
- (b) The Enterprise Value to EBITDA ratio of the Base Consideration of 7.5x is below the average and median of the Comparable Transactions of 14.7x and 10.4x respectively and within the range of the Comparable Transactions.
- (c) The Price to Earnings ratio of the Base Consideration and SOP Consideration (including earn-out) of 8.0x and 12.0x respectively is below the average and median of the Comparable Transactions of 12.2x and 13.0x respectively and within the range of the Comparable Transactions.

5.5. Other relevant considerations which may have a significant bearing on our assessment of the Proposed Transaction

5.5.1. Earn-out Structure

As highlighted in Section 2.6 of the Circular, GPO and the respective minority shareholders of the relevant Target Entities are entitled to an Earn-Out Consideration under conditions set out in the Circular.

5.5.2. Parting Dividend

As highlighted in Section 2.9 of the Circular, GPO and the minority shareholders are entitled to a Parting Dividend subject to fulfilment of the conditions mentioned in the Circular.

5.5.3. Ancillary Agreements

As highlighted in Section 2.11 of the Circular, Ancillary Agreements form part of the Proposed Transaction.

5.5.4. Settlement of Earn-out consideration

As highlighted in Section 2.7 of the Circular, settlement of the Earn-out consideration is subject to fulfilment of the conditions mentioned in the Circular.

5.5.5. Pro forma financial effects of the Proposed Transaction

The pro forma financial effects of the Proposed Transaction are set out in Section 5 of the Circular. We recommend the Independent Directors to advise the Shareholders to read Section 5 of the Circular carefully, in particular the bases and assumptions relating to the preparation of the pro forma financial effects of the Proposed Transaction as set out in Section 5.1 of the Circular.

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We have not reviewed any material or independently verified the computation of the contingent liability recognised as a result of the Proposed Transaction.

The financial effects are provided purely for illustrative purposes only and may not reflect the actual financial position and earnings of the SAL Group after Completion. We have reproduced parts of the sections below:

(a) Share Capital

The effects of the Proposed Share Acquisition on the issued and paid-up share capital (“Share Capital”) and share premium (“Share Premium”) of the Company as at 30 June 2017 are as follows:

	No. of Shares (excluding treasury shares) as at 30 June 2017	No. of Shares (excluding treasury shares) immediately following Completion of the Proposed Share Acquisition⁽¹⁾
No. of Shares (excluding treasury shares)	2,646,617,600	2,716,725,933
Share Capital (RM)⁽²⁾	191,040,654	196,963,235
Share Premium (RM)⁽³⁾	1,668,775,194	1,817,768,332

Notes:

- i. *The number of Shares (excluding treasury shares) immediately following completion of the Proposed Share Acquisition is computed on the assumption that the Base Consideration would be fully satisfied by the issuance of 70,108,333 Shares and the Earn-Out Consideration would be recognised as a contingent consideration under the Group’s liabilities.*
- ii. *Share Capital is computed based on Share Capital as at 30 June 2017 and the issuance of the ordinary shares, with a par value of USD0.02 each (“Par Value”), at the exchange rate of USD1:S\$1.3572 and S\$1:RM3.1122.*
- iii. *Share Premium is computed based on the Share Premium as at 30 June 2017 and the share premium arising from the issuance of the ordinary shares, at S\$0.71 per Share, comparing with the Par Value at the exchange rate of USD1:S\$1.3572 and S\$1:RM3.1122.*

(b) NAV per Share

Based on the last audited financial statements of the Group for FY2017, and assuming that the Proposed Share Acquisition had been completed on 30 June 2017, the effects of the Proposed Share Acquisition on the consolidated NAV per Share as at 30 June 2017 are as follows:

	Before Proposed Share Acquisition	After Proposed Share Acquisition⁽¹⁾⁽²⁾⁽³⁾
Consolidated NAV (RM)	1,157,941,393	165,761,163
No. of Shares (excluding treasury shares)	2,646,617,600	2,716,725,933
Consolidated NAV per Share (sen)	43.75	6.10

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Notes:

- i. Consolidated NAV per Share is computed based on the Consolidated NAV and assuming the Consideration Cap applies, the maximum Earn-Out Consideration of approximately RM1,009.33 million (being the maximum Earn Out Consideration of S\$420.00 million converted at the exchange rate of S\$1:RM3.1122 to RM1,307.12 million, discounted by a weighted average cost of capital of 9.00% over a three (3) year period), would be recognised as a contingent consideration under the Group's liabilities and a negative merger reserve of approximately RM1,163.21 million would be recognised under the Group's equity.
- ii. In order to achieve the Consideration Cap, the Average Adjusted NPAT for SDE, SDS and SOP over the Target Entity Growth Reference Period would have to be approximately RM57.96 million, RM39.54 million and RM12.25 million respectively and the cumulative NPAT of the Target Entities over a three (3) year period would in aggregate be approximately RM329.28 million which has not been included in the calculation of the Group's NAV after Proposed Share Acquisition.
- iii. Assuming a parting dividend of approximately RM5.99 million would be paid out from the Target Entities.
- iv. No goodwill will be recognised as the Company adopts the pooling of interest accounting treatment for the Proposed Share Acquisition.

(c) NTA per Share

Based on the last audited financial statements of the Group for FY2017, and assuming that the Proposed Share Acquisition had been completed on 30 June 2017, the effects of the Proposed Share Acquisition on the consolidated NTA per Share as at 30 June 2017 are as follows:

	Before Proposed Share Acquisition	After Proposed Share Acquisition⁽¹⁾⁽²⁾⁽³⁾
Consolidated NTA (RM)	966,250,762	(38,493,375)
No. of Shares (excluding treasury shares)	2,646,617,600	2,716,725,933
Consolidated NTA per Share (sen)	36.51	(1.42)

Notes:

- i. Consolidated NTA per Share is computed based on the consolidated NTA and assuming the Consideration Cap applies, the maximum Earn-Out Consideration of approximately RM1,009.33 million (being the maximum Earn-Out Consideration of S\$420.00 million converted at the exchange rate of S\$1:RM3.1122 to RM1,307.12 million discounted by a weighted average cost of capital of 9.00% over a three (3) year period), would be recognised as a contingent consideration under the Group's liabilities and a negative merger reserve of approximately RM1,163.21 million would be recognised under the Group's equity.
- ii. In order to achieve the Consideration Cap, the Average Adjusted NPAT for SDE, SDS and SOP over the Target Entity Growth Reference Period would have to be approximately RM57.96 million, RM39.54 million and RM12.25 million respectively and the cumulative NPAT of the Target Entities over a three (3) year period would in aggregate be approximately RM329.28 million which has not been included in the calculation of the Group's NTA after Proposed Share Acquisition.
- iii. Assuming a parting dividend of approximately RM5.99 million would be paid out from the Target Entities.

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(d) EPS

Based on the last audited financial statements of the Group for FY2017, and assuming that the Proposed Share Acquisition had been completed on 1 July 2016, the effects of the Proposed Share Acquisition on the consolidated EPS are as follows:

	Before Proposed Share Acquisition	After Proposed Share Acquisition⁽¹⁾
Consolidated profit attributable to equity holders of the Company (RM)	845,991,733	865,408,139
Weighted average number of Shares (excluding treasury shares)	2,645,626,429	2,715,734,762
Consolidated EPS (sen)	31.98	31.87

Note:

- i. Consolidated EPS is computed based on the consolidated profit attributable to equity holders of the Company and the weighted average number of Shares (excluding treasury shares) after taking into account the issuance of 70,108,333 Shares for the satisfaction of the Base Consideration and the Earn-Out Consideration recognised as a contingent consideration under the Group's liabilities.

6. OUR RECOMMENDATION ON THE PROPOSED TRANSACTION AS REQUIRED PURSUANT TO LISTING RULE 921(4)

In arriving at our recommendation, we have taken into account the following factors which we consider to have a significant bearing on our assessment of the Proposed Transaction.

In respect of the Proposed Transaction comprising:

- (a) The Proposed Share Acquisition;
- (b) Entering into the Proposed Ancillary Agreements; and
- (c) The Proposed Consideration Share Issue
 - i. The rationale for the Proposed Transaction, wherein the Proposed Transaction allows the Company to have a significantly larger financial technology platform with the scope, scale and operating leverage needed to strategically expand in an evolving market.
 - ii. The Consideration Shares are being issued at a premium which ranges between 18.63% to 21.47% to the Agreed Issue Price of S\$0.71 per Share as at the Announcement Date leading up to and including the LPD, Announcement Date, one-week, two-week, one-month, three-month, six-month and twelve-month periods.

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- iii. Comparison of Enterprise Value to Sales, Enterprise Value to EBITDA and Price to NPAT of relevant peer groups:

SDE

- The Enterprise Value to Sales ratio of the SDE Base Consideration of 3.2x is below the average and median of the Peer Group of 5.3x and 4.7x respectively and within range of the Peer Group.
- The Enterprise Value to EBITDA ratio of the SDE Base Consideration of 9.5x is below the average and median of the Peer Group of 19.7x and 17.2x respectively and within the range of the Peer Group.
- The Price to Earnings ratio of the SDE Base Consideration and SDE Consideration (including earn-out) of 11.0x and 14.5x respectively is below the average and median of the Peer Group of 35.8x and 30.5x respectively. It is also noted that the Base Consideration and SDE Consideration (including earn-out) is below and within the range of the Peer Group respectively.

SDS

- The Enterprise Value to Sales ratio of the SDS Base Consideration of 2.4x is below the average and median of the Peer Group of 4.8x and 3.0x respectively and within the range of the Peer Group.
- The Enterprise Value to EBITDA ratio of the SDS Base Consideration of 6.3x is below the average and median of the Peer Group of 19.9x and 16.9x respectively and below the range of the Peer Group.
- The Price to Earnings ratio of the Base Consideration and SDS Consideration (including earn-out) of 8.0x and 12.0x respectively is below the average and median of the Peer Group of 37.2x and 28.4x respectively and below the range of the Peer Group.

SOP

- The Enterprise Value to Sales ratio of the SOP Base Consideration of 3.3x is above the average and median of the Peer Group of 2.8x and 2.4x respectively and within range of the Peer Group.
- The Enterprise Value to EBITDA ratio of the SOP Base Consideration of 7.5x is below the average and median of the Peer Group of 26.6x and 23.8x respectively and within the range of the Peer Group.
- The Price to Earnings ratio of the SOP Base Consideration and SOP Consideration (including earn-out) of 8.0x and 12.0x respectively is below the average and median of the Peer Group of 45.6x and 52.6x respectively. It is also noted that the Base Consideration and SOP Consideration (including earn-out) is below and within the range of the Peer Group respectively.

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- iv. Comparison of Enterprise Value to Sales, Enterprise Value to EBITDA and Price to NPAT of comparable transactions.

SDE

- The Enterprise Value to Sales ratio of the Base Consideration of 3.2x is below the average and above the median of the Comparable Transaction of 6.0x and 1.8x respectively and within range of the Comparable Transactions.
- The Enterprise Value to EBITDA ratio of the Base Consideration of 9.5x is below the average and median of the Comparable Transactions of 14.7x and 10.4x respectively and within the range of the Comparable Transactions.
- The Price to Earnings ratio of the Base Consideration of 11.0x is below the average and median of the Comparable Transactions of 12.2x and 13.0x respectively. The Price to Earnings ratio of the SDE Consideration (including earn-out) of 14.5x is above the average and median of the Comparable Transactions of 12.2x and 13.0x respectively. Both Base Consideration and SDE Consideration (including earn-out) are within the range of the Comparable Transactions.

SDS

- The Enterprise Value to Sales ratio of the Base Consideration of 2.4x is below the average of 6.0x and above the median of 1.8x respectively and within range of the Comparable Transactions.
- The Enterprise Value to EBITDA ratio of the Base Consideration of 6.3x is below the average and median of the Comparable Transactions of 14.7x and 10.4x respectively and within the range of the Comparable Transactions.
- The Price to Earnings ratio of the Base Consideration and SDS Consideration (including earn-out) of 8.0x and 12.0x respectively is below the average and median of the Comparable Transactions of 12.2x and 13.0x respectively and within the range of the Comparable Transactions.

SOP

- The Enterprise Value to Sales ratio of the Base Consideration of 3.3x is below the average and above the median of the Comparable Transactions of 6.0x and 1.8x respectively and within range of the Comparable Transactions.
- The Enterprise Value to EBITDA ratio of the Base Consideration of 7.5x is below the average and median of the Comparable Transactions of 14.7x and 10.4x respectively and within the range of the Comparable Transactions.

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- The Price to Earnings ratio of the Base Consideration and SOP Consideration (including earn-out) of 8.0x and 12.0x respectively is below the average and median of the Comparable Transactions of 12.2x and 13.0x respectively and within the range of the Comparable Transactions.
- v. Other relevant considerations:

- Earn-out Structure

The earn-out structure that is used for the transaction aligns to the interests of SIL and its minority shareholders as the earn-out is determined (over the Target Entity Growth Reference Period) and paid only if growth targets are achieved sustainably.

Furthermore, the basis of the earn-out consideration (Average Adjusted NPAT) helps to align the interest of the Sellers to SIL in driving the financial performance of the Target Entities sustainably over the Target Entity Growth Reference Period.

- Ancillary Agreements

TSA

The TSA is to provide continuity and minimise disruption to the operations of the Target Entities. Also, the execution of the TSA is a condition to the Completion of the Proposed Transaction and should be viewed conditionally to the Proposed Transaction. In addition, the aggregate charges of RM353,400 for the initial period of 6 months is approximately 0.23% of the Base Consideration and is based on management estimates of prevailing market terms.

Symmetry Licence

The Independent Directors will evaluate the subsequent renewal of the Symmetry Licence upon expiry of the Royalty Free Period. In this regard, if Shareholders' approval is required under Chapter 9 of the Listing Manual before SAL undertakes any such renewal, SAL will consider whether to obtain Shareholders' specific approval or a general mandate, depending on the prevailing circumstances and whether the renewal is one-off or is likely to be recurrent.

- Settlement of Earn-Out Consideration

It is noted that settlement of the earn-out consideration will be carried out as set out in Section 2.7 of the Circular. The impact is based the achievement of performance by each Target Entities either through issuance of Shares or in cash.

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- Pro forma Financials

We note that the pro forma financial effects as set out in Section 5 of the Circular are purely illustrative and reflect the case wherein the businesses achieve the conditions stated and are pursuant to listing manual requirements, wherein, the pro forma financial effects assume that the Consideration Cap is attained with corresponding Earn-Out payable recognised as contingent liability.

Having considered the above and subject to the assumptions and qualifications set out herein and taking into account the prevailing conditions as at Latest Practicable Date, we are of the opinion that:

the Proposed Transaction is on normal commercial terms and is not prejudicial to the interests of the Silverlake Axis Limited and its minority shareholders.

Accordingly, we advise that the Independent Directors may recommend that the Independent Shareholders vote in favour of the Proposed Transaction.

Our recommendation is required under Rule 921(4) of the Listing Manual and is also addressed to the Independent Directors for their benefit in connection with and for the purpose of their consideration of the Proposed Transaction. Any recommendation made by the Independent Directors in respect of the Proposed Transaction shall remain their responsibility.

Our recommendation is governed by the laws of Singapore and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully
Deloitte & Touche Corporate Finance Pte Ltd

Koh Soon Bee
Executive Director

NOTICE OF SPECIAL GENERAL MEETING

SILVERLAKE AXIS LTD

(Incorporated in Bermuda)

(Company Registration No. 32447)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a Special General Meeting of Silverlake Axis Ltd (“Company”) will be held at Oriental Ballroom 1, Lobby Level, Mandarin Oriental Singapore, 5 Raffles Avenue, Marina Square, Singapore 039797 on 1 March 2018 at 2.30 p.m. for the purpose of considering and, if thought fit, passing the following ordinary resolution, with or without any modifications.

Unless otherwise defined or the context otherwise requires, all capitalised terms herein shall bear the same meanings as ascribed to them in the circular dated 9 February 2018 issued by the Company.

ORDINARY RESOLUTION:

1. **THAT** the Proposed Transaction, comprising:

- (i) the Proposed Share Acquisition;
- (ii) the Proposed Ancillary Agreements; and
- (iii) the Proposed Consideration Share Issue, including specifically, the proposed issue to GPO of his portion of the Consideration Shares,

all in accordance with and subject to the terms of the SPA, be and are hereby approved.

By Order of the Board
Silverlake Axis Ltd

Tan Min-Li
Hoong Lai Ling
Joint Company Secretaries
Singapore

Dated: 9 February 2018

NOTICE OF SPECIAL GENERAL MEETING

Notes:

- (1) A Shareholder entitled to attend and vote at a meeting of the Company is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a Shareholder of the Company.
- (2) Where a Shareholder appoints two proxies, the Company may treat the appointment as invalid unless the Shareholder specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
- (3) The instrument appointing a proxy or proxies must be deposited at the office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than 72 hours before the time appointed for holding the Special General Meeting.
- (4) The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.
- (5) Investor holding their shares through a nominee within The Central Depository (Pte) Limited system in Singapore or other agent should contact their nominee, depository agent or professional adviser with regard to the procedures required to enable them to be represented and to vote at the Special General Meeting.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Special General Meeting and/or any adjournment thereof, a shareholder of the Company (i) consents to the collection, use and disclosure of the shareholder'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 Special General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Special 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 shareholder discloses the personal data of the shareholder's proxy(ies) and/or representative(s) to the Company (or its agents), the shareholder 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 shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.

