SILVERLAKE AXIS LTD
(Incorporated in Bermuda)
(Company Registration No. 32447)

PROPOSED ACQUISITION OF 80% OF THE ISSUED SHARE CAPITAL OF SIA X INFOTECH GROUP ("TARGET") WITH CALL AND PUT OPTIONS RELATING TO THE REMAINING 20% OF THE ISSUED SHARE CAPITAL OF THE TARGET ("PROPOSED ACQUISITION")

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1. INTRODUCTION

The Board of Directors ("**Board**") of Silverlake Axis Ltd ("**SAL**" or the "**Company**") wishes to announce that the Company has today entered into a conditional sale and purchase agreement ("**SPA**") with Novaltisco Investments Limited ("**Seller**"), together with various other persons as named in the SPA (collectively, the "**Guarantors**"), to initially acquire from the Seller ("**Initial Acquisition**") 80% of the issued share capital of SIA X Infotech Group ("**Target**"), comprising 2,276 ordinary shares, with a nominal value of EUR 1 per ordinary share ("**Tranche 1 Shares**"), with concurrent call and put options, in favour of the Company and the Seller respectively, over the remaining 20% of the issued share capital of the Target, comprising 569 ordinary shares, with a nominal value of EUR 1 per ordinary share ("**Tranche 2 Shares**"), on the terms of the SPA ("**Proposed Acquisition**").

The Initial Acquisition is conditional upon the fulfillment of various conditions precedent, including, *inter alia*, satisfactory due diligence. Upon the completion of the Initial Acquisition ("**Completion**"), the Target shall become a subsidiary of the Company. Further details of the Proposed Acquisition are set out below.

2. BACKGROUND INFORMATION ON THE TARGET GROUP AND THE SELLER

2.1 <u>The Target Group</u>

The Target is a private limited liability company, incorporated in Latvia on 6 June 2008, which is wholly-owned by the Seller.

The Target owns:

(i) 100% of the issued share capital of SIA X Infotech, a private limited liability company incorporated in Latvia on 13 October 2006 ("**Infotech Latvia**"), comprising 17,074 ordinary shares, with a nominal value of EUR1 per ordinary share; and

(ii) 50% of the issued share capital in X-Infotech Africa Limited, a private limited company incorporated in Kenya on 30 August 2010 ("**Infotech Kenya**"), comprising 15,000 ordinary shares with a nominal value of Kenyan Shilling 100 per ordinary share.

The Target, Infotech Latvia and Infotech Kenya are collectively referred as the "**Target Group**" and individually as a "**Target Group Company**".

The Target Group is a provider of software solutions for the issuance and verification of digital identity documents and financial smart cards. The software solutions offered by the Target Group include citizen and customer identity management, biometric enrolment, document and document holder biometric verification, document and card personalization and issuance, mobile and multi-factor user authentication and payment, and Public Key Infrastructure applications. The Target Group is headquartered in Latvia and has successfully implemented projects in more than 45 countries around the world including Europe, Asia, Africa and Latin America. The clients of the Target Group include governments, banks and financial institutions.

As the Target Group is exempt from preparing consolidated accounts, the Target Group's financial figures have been prepared on a proforma consolidated basis. The Target Group's proforma consolidated revenue and net asset value for the financial year ended 31 December 2017 ("**Target FY**") were EUR9.83 million and EUR3.68 million, respectively.

2.2 The Seller

The Seller is a private limited company incorporated and existing under the laws of Cyprus which is owned by the following entities, (which are, in turn, 100% owned by the Guarantors, as set out below):

(a) SIA MBINV, a private limited company incorporated in Latvia, which is 100% owned by Maris Birgelis;

(b) SIA Harbor, a private limited company incorporated in Latvia, which is 100% owned by Sergejs Jelisejevs;

(c) SIA Apmark, a private limited company incorporated in Latvia, which is 100% owned by Aleksandrs Popovs; and

(d) SIA Argento Lab, a private limited company incorporated in Latvia, which is 100% owned by Vadims Teresko.

3. SALIENT TERMS OF THE SPA

3.1 Consideration

The consideration for the purchase of the Tranche 1 Shares ("**Consideration**") shall comprise:

(a) an Initial Consideration (as defined below); and

(b) an Earn Out Consideration (as defined below),

in the manner detailed below.

The Consideration was arrived at taking into account, *inter alia,* the, historical financial performance, operating track record and the future potential of the Target Group, as disclosed below.

3.2 Initial Consideration

The initial consideration is EUR17,600,000, which was arrived at on a willing buyer and willing seller basis ("**Initial Consideration**"). The Initial Consideration shall be paid by the Company to the Seller as follows:

(a) Upfront Amount:

Within five (5) business days after each and all of the Company's Conditions Precedent (as defined below) are fulfilled (or waived by the Company), or at any other time as agreed by the parties ("**Parties**") to the SPA ("**Completion Date**"), the Company agrees to pay to the Seller a sum of EUR14,608,000, representing eighty-three per centum (83%) of the Initial Consideration ("**Upfront Amount**").

(b) Deferred Amount:

Provided the following target growth rates are achieved or met by the Target Group, the remainder of the Initial Consideration amounting to EUR2,992,000, representing seventeen per centum (17%) of the Initial Consideration ("**Deferred Amount**") shall be paid as follows:

(i) where the earnings before interest and taxes ("**EBIT**") of the Target Group for FY2019 (Annualized) (as defined below) shall show a growth of at least twenty per centum (20%) based on the agreed average base EBIT of the Target Group for financial year ended 31 December 2016 ("**FY2016**") and financial year ended 31 December 2017 ("**FY2017**") ("**TGR 1**"), amounting to EUR1,737,596, the Company shall pay a sum equivalent to sixty per centum (60%) of the Deferred Amount to the Seller within 45 days from the date the audited consolidated accounts of the Target Group for FY2019 are made available to the Target; for this purpose:

(1) "**FY2019**" shall mean the financial period commencing 1 January 2018 and ending 30 June 2019; and

(2) "**FY2019 (Annualized)**" shall mean the actual results for FY2019 multiplied by 72%;

(ii) where the EBIT of the Target Group for FY2020 (as defined below) shall show a year on year growth of at least twenty-five per centum (25%) ("**TGR 2**"), the Company shall pay a sum equivalent to forty per centum (40%) of the Deferred Amount, to the Seller within 45 days from the date the audited consolidated accounts of the Target Group for FY2020 are made available to the Target. For this purpose, "**FY2020**" shall mean the financial period commencing 1 July 2019 and ending 30 June 2020; and

(iii) where the Target Group fails to achieve either TGR 1 or TGR 2 but the average growth rate of the EBIT of the Target Group for FY2019 (Annualized) and FY2020 meets or is in excess of twenty two and a half per centum (22.5%), the Company shall pay the remaining or the entire Deferred Amount (as the case may be) to the Seller within 45 days from the date the audited consolidated accounts of the Target Group for FY2020 are made available to the Target subject to the growth rate of the EBIT of the Target Group for the financial year in which the target growth rate was not met being at least fifteen per centum (15%) or more.

If the conditions as set out above in relation to the Deferred Amount are not achieved or met by the Target Group, the Deferred Amount shall not be payable and the Upfront Amount shall be the only amount payable by the Company to the Seller in respect of the Initial Consideration.

3.3 Earn Out Consideration

The amount of earn out consideration ("**Earn Out Consideration**") payable by the Company to the Seller depends, *inter alia,* on whether or not the Target Group is able to undertake an initial public offering of the Target's shares (or the shares of a special purpose vehicle incorporated as the holding company of the Target Group for the purposes of the IPO) for the purpose of an initial public offering on the Singapore stock exchange or Hong Kong stock exchange or any other established and recognized stock exchange as may be agreed by the Parties ("**IPO**"), on or before 31 December 2021 ("**Earn Out Determination Date**").

The maximum Earn Out Consideration is payable where the Target Group is the subject of an IPO and certain conditions, including the achievement by the Target Group of certain profit growth targets over the next three (3) financial years, are satisfied, on or before the Earn Out Determination Date, whereupon the Earn Out Consideration payable to the Seller shall be a sum calculated at 12 times of the Target Group's FY2021 EBIT multiplied by eighty per centum (80%) being the percentage of Tranche 1 Shares in the total shareholding of the Target (i.e. 12 x FY 2021 EBIT x 0.8) deducted by the amount paid in respect of the Initial Consideration.

On the other hand, if the relevant conditions in relation to the Earn Out Consideration are not achieved or met, the Earn Out Consideration shall not be payable to the Seller, and the Company is deemed to have discharged all of its obligations to the Seller in respect of the acquisition of the Tranche 1 Shares.

3.4 Put Option

The Company has granted to the Seller an option to require the Company to purchase all but not part of its Tranche 2 Shares which shall be exercisable in accordance with this Paragraph 3.4 provided that the Target Group achieves or meets certain conditions ("**Put Option**"). The purchase price of the Tranche 2 Shares shall be calculated in one of the two following manner:

(a) Purchase price based on EBIT

Subject to the two following conditions being satisfied ("**EBIT Price Conditions**"), the purchase price shall be a sum calculated at 12 times of the Target Group's FY2021 EBIT multiplied by twenty per centum (20%), being the percentage of Tranche 2 Shares in the total shareholding of the Target (i.e. 12 x FY2021 EBIT x 0.2) ("**EBIT Put Option Price**"):

(i) no IPO has been undertaken by the Target Group or agreed to be undertaken by the Parties in writing on or before the Earn Out Determination Date; and

(ii) an underwriting letter containing specific terms as agreed by the Parties and set out in the SPA is received by the Target on or before the Earn Out Determination Date; or

(b) Purchase price based on Adjusted NPAT

Where the EBIT Price Conditions are not satisfied, the purchase price shall be a sum calculated at 12 times of the Target Group's FY2021 Adjusted NPAT (as defined below) multiplied by twenty per centum (20%), being the percentage of Tranche 2 Shares in the total shareholding of the Target (i.e. 12 x FY2021 Adjusted NPAT x 0.2) ("**NPAT Put Option Price**").

"**Adjusted NPAT**" shall mean the net profit after tax of each Target Group Company, for each financial year, based on its audited financial statements, after adjusting for and/or deducting any applicable cost of funding (being an amount equal to fifteen per centum (15%) per annum of the cash value of any capital injected and/or funds advanced by the Company to any Target Group Company to help it meet its working capital and/or cash flow requirements for any applicable financial year) from the net profit after tax.

The Put Option shall be exercisable by the Seller in writing by notice served on the Company at any time within ninety (90) days from the Earn Out Determination Date. The sale and purchase of the Tranche 2 Shares shall be settled within three (3) months of the notice of exercise of the Put Option.

3.5 Call Option

The Seller has granted to the Company, an option to require the Seller to sell all but not part of its Tranche 2 Shares where:

(a) the Target Group fails to meet or achieve certain conditions; or

(b) the Seller did not exercise the Put Option within the given period as set out in Paragraph 3.4 above,

the "**Call Option**".

The purchase price of the Tranche 2 Shares shall be a sum equivalent to the NPAT Put Option Price as set out in Paragraph 3.4(b) above. The Call Option shall be exercisable by the Company in writing by notice served on the Seller at any time within one hundred and twenty (120) days from Earn Out Determination Date. The sale and purchase of the Tranche 2 Shares shall be settled within three (3) months of the notice of exercise of the Call Option.

3.6 Conditions Precedent

The obligation of the Company to complete the Initial Acquisition is subject to and conditional on the satisfaction and performance, or waiver by the Company in writing (so far as such waiver may be permitted under the applicable law), as the case may be, of, *inter alia,* the following conditions precedent ("**Conditions Precedent**") on or before the date falling three (3) months from the date of execution of the SPA, or such other date as the Parties may agree, in writing, from time to time, subject to a maximum period of six (6) months from the date of execution of the SPA ("**Long Stop Date**"), provided always that, if such date is not a business day, the date shall be deemed to fall on the next following business day:

(a) the key executives and all other employees of the Target Group as set out in the schedule to the SPA having entered into fresh employment contracts or amendments to the employment contracts in such form and content as may be required by the Company for the purpose of compliance with the requirements of the relevant applicable law;

(b) the Seller having provided documentary evidence to the satisfaction of the Company of:

(i) merger authorization having been obtained from the Competition Authority in Kenya in respect of the transfer to the Target of all of the shares in Infotech Kenya held by Paul Ng'ang'a Waihumbu ("**Paul**") and David Kanyanjua Kamau ("**David**") respectively; and

(ii) the share transfer deeds, dated after the date of merger authorization of the Competition Authority in Kenya, having been duly executed by Paul and David; and

(iii) such other documents as may be reasonably requested by the Company in respect of the regularization of the purported void transfer of shares held by Paul and David in Infotech Kenya in 2015;

(c) the filing/notification with the Competition Authority in Latvia and Kenya having been made by the Seller and/or the Company in relation to the Proposed Acquisition and the receipt by the Company of documentary evidence from the Competition Authority in Latvia and Kenya that the Company may proceed to complete the Proposed Acquisition without any conditions or if with conditions, such conditions are acceptable to the Company;

(d) the Seller shall have caused and procured the sale or divestment of the equity interest held by the Target Group in any companies other than the Target Group, in particular, the divestment of the shares held by the Target in X Infotech International GmbH, X Card SIA and X Infotech Systems sp.ZOO and all documentary evidence of such sale or divestment (if any) shall be provided to the satisfaction of the Company;

(e) the Seller having provided documentary evidence to the satisfaction of the Company including, but not limited to, deed of acceptance by clients, relating to advances received from customers amounting to EUR1,930,000 as at 31 December 2017 as shown in Infotech Latvia's accounts, enabling such advances to be set off against Infotech Latvia's corresponding accrued income which amounted to EUR1,920,000 as at 31 December 2017 as shown in Infotech Latvia's accounts;

(f) the Seller having executed a shareholders' agreement in such form as may be requested by the Company containing provisions customary to a transaction of such nature including, but not limited to, pre-emptive and dilution rights, tag-along rights/drag-along rights, board representation, and information rights to be held in escrow by the Company's lawyer pending Completion; and

(g) the Seller having provided documentary evidence to the satisfaction of the Company including, but not limited to, the Target Group Companies' bank statements, that the Target Group has set aside an amount of EUR1,200,000 in readily available funds to meet the minimum amount of cash and cash equivalents (excluding shareholders' and/or directors' loan to the Target Group, if any) as required by the Target Group to enable each Target Group Company to meet its working capital requirements.

In relation to the condition precedent set out in Paragraph 3.6(b) above, if it is not fulfilled on or before the Long Stop Date, the Seller may request the Company to defer the satisfaction of that condition to be a condition subsequent to be satisfied within 12 months from the Completion Date ("**Extended Satisfaction Date**"), and the Company may agree to such request subject to retaining an amount of EUR2,080,000 from the Upfront Amount ("**Retention Amount**"), which shall only be paid by the Company to the Seller upon receipt of satisfactory documentary evidence of the due fulfilment of the condition in Clause 3.6(b) before the expiry of the Extended Satisfaction Date, failing which the Company shall not be obliged to pay the Retention Amount to the Seller and the Purchase Consideration shall be deemed to have been reduced accordingly.

In relation to the condition precedent set out in Paragraph 3.6(e) above, if it is not fulfilled on or before the Long Stop Date, the Seller may request the Company to waive the condition precedent and the Company, upon receipt of such request, may agree to the waiver provided that the amount of advances received from customers that were not set off against Infotech Latvia's corresponding accrued income shall be retained by the Company from the Upfront Amount. The retained sum shall only be paid by the Company to the Seller if documentary evidence showing the set off of such advances against its corresponding accrued income has been provided by the Seller to the Company to its satisfaction within the Extended Satisfaction Date, failing which the

Company shall not be obliged to pay the retention sum to the Seller and the Purchase Consideration shall be deemed to have been reduced accordingly.

4. RATIONALE FOR THE PROPOSED ACQUISITION

The acquisition of the Target Group is expected to significantly enhance and expand SAL Group's digital economy offerings to its customers' ecosystems, particularly in the areas of public and private enterprise digital identity solutions for customer identity economics, social and financial inclusion, security, and payments.

Specifically, extending beyond the SAL Group's digital economy offerings for banking, insurance, retail, logistics and public sector enterprises, SAL Group will be able to offer leading digital capabilities in areas such as customer onboarding, customer information, payments, anti-money laundering, fraud prevention and cyber security applications.

The Target Group has market presence in more than 45 countries including Europe and Africa. With the acquisition, SAL Group will significantly expand its geographical coverage and business operations internationally with more than 380 enterprise customers in over 80 countries.

With common addressable markets in banks and governments, there are potential synergies to be realized through cross-selling, integration of solutions and connecting ecosystems. SAL Group can also provide a stronger platform to accelerate the Target Group's expansion.

5. LISTING MANUAL REQUIREMENTS

5.1 <u>Discloseable Transaction</u>

The relative figures in relation to the Proposed Acquisition computed on the bases set out in Rule 1006 of the listing manual of the SGX-ST ("**Listing Manual**") are as follows:

Rule 1006	**Bases**	**Relative Figures (%)**
(a)	Net asset value of the assets to be disposed of, compared with the net asset value of the Company and its subsidiaries ("**SAL Group**")	Not applicable (1)
(b)	Profit before income tax, minority interest and extraordinary items ("**Net Profits**") attributable to the Target Group acquired for the financial year ended 31 December 2017, compared with the SAL Group's Net Profits for the financial year ended 30 June 2018	6.2% (2)
(c)	Aggregate value of the consideration given compared with SAL's market capitalization based on the total number of issued shares excluding treasury shares	5.3% (3)
(d)	Number of equity shares issued by the Company as consideration for the Proposed Acquisition, compared with the number of equity shares previously in issue	Not applicable (3)
(e)	Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves	Not applicable (4)

Notes:

(1) Rule 1006(a) of the Listing Manual is not applicable to an acquisition of assets.

(2) Based on proforma consolidated Net Profits for the Target Group for the financial year ended 31 December 2017 of EUR1.99 million (equivalent to approximately RM9.49 million using exchange rate of EUR1:RM4.77) and consolidated financial statements of SAL Group for the financial year ended 30 June 2018 for the adjusted Net Profits of RM153.51 million (being SAL Group's Net Profits of RM147.19 million excluding loss on disposal of quoted equity investment of RM6.32 million).

(3) The market capitalization of the Company of S$1,104.74 million (equivalent to approximately RM3,347.36 million using exchange rate of S$1:RM3.03) was determined by multiplying 2,649,252,732 shares, being the number of issued shares (excluding Treasury Shares) of the Company, by S$0.417, being the weighted average price per share transacted on 8 November 2018, the market day immediately preceding the date of the SPA.

The aggregate value of the consideration of EUR37.39 million (equivalent to approximately RM178.35 million using the exchange rate of EUR1:RM4.77) for acquisition of the entire share capital of the Target was calculated on the following assumptions:

(a) in respect of the Initial Consideration, the Target Group achieves the target growth rate for TGR 1 and TGR 2, such that the full sum of EUR17.60 million is payable by the Company;

(b) in respect of the Earn Out Consideration, the Target Group is the subject of an IPO and certain conditions are satisfied on or before the Earn Out Determination Date, such that the Earn Out Consideration shall be a sum calculated at 12 times of Target Group FY2021 EBIT multiplied by 0.8, and thereafter deducted by the amount paid in respect of the Initial Consideration; and

(c) in respect of the consideration payable for the Tranche 2 Shares, the Target Group achieves or meets certain conditions and the Seller exercises the Put Option, such that the Tranche 2 Shares are acquired by the Company at the EBIT Put Option Price.

(4) The Consideration is payable in cash, and no equity securities will be issued by the Company as consideration for the Proposed Acquisition.

(5) Rule 1006(e) of the Listing Manual is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.

6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

6.1 Bases and Assumptions

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

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

(a) the audited financial statements of SAL Group for the financial year ended 30 June 2018;

(b) the audited financial statements of Infotech Latvia and Infotech Kenya for the financial year ended 31 December 2017, being the most recently completed financial year of the Target Group;

(c) the proforma consolidated financial statements of the Target Group for financial year ended 31 December 2017; and

(d) assuming an aggregate consideration of EUR37.39 million (equivalent to approximately RM178.35 million using the exchange rate of EUR1:RM4.77) for acquisition of the entire share capital of the Target, on the bases stated in Paragraph 5.1 note 3 above.

6.2 Net Tangible Assets ("**NTA**") per Share

Assuming that the Proposed Acquisition had been completed on 30 June 2018, the effects of the Proposed Acquisition on the consolidated NTA per Share as at 30 June 2018 are as follows:

	Before Proposed Acquisition	**After Proposed Acquisition**
Consolidated NTA (RM million)	316.39	155.15
No. of Shares (excluding Treasury Shares)	2,656,040,732	2,656,040,732
Consolidated NTA per Share (sen)	11.91	5.84

6.3 Earnings per Share ("**EPS**")

Assuming that the Proposed Acquisition had been completed on 1 July 2017, the effects of the Proposed Acquisition on the consolidated EPS are as follows:

	Before Proposed Acquisition	**After Proposed Acquisition**
Consolidated profit attributable to equity holders of the Company (RM million)	134.09	142.31
Weighted average number of Shares (excluding Treasury Shares)	2,635,387,566	2,635,387,566
Consolidated EPS (sen)	5.09	5.40

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition, other than through their respective shareholdings in the Company (if any).

8. SERVICE AGREEMENTS

No person is proposed to be appointed as a director of the Company in connection with the Proposed Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

9. DOCUMENT FOR INSPECTION

A copy of the SPA will be available for inspection at the office of the Company's Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623, during normal business hours for a period of three (3) months from the date hereof.

10. CAUTION IN TRADING

Shareholders are cautioned that there is no certainty that the Proposed Acquisition will be completed as contemplated and are advised to exercise caution when dealing in the Shares.

By Order of the Board

Dr Kwong Yong Sin
Group Managing Director
9 November 2018