SILVERLAKE AXIS LTD.
(Registered in Singapore)
(Company Registration No. 202133173M)

RESPONSE TO QUESTIONS RECEIVED FROM SHAREHOLDERS PRIOR TO THE COMPANY'S ANNUAL GENERAL MEETING

The Board of Directors (the "**Board**") of Silverlake Axis Ltd. (the "**Company**" or "**SAL**" and together with its subsidiaries, the "**Group**" or "**SAL Group**") would like to thank shareholders for submitting their questions in advance of the Company's Annual General Meeting ("**AGM**") to be convened and held by way of electronic means on Thursday, 27 October 2022 at 2.00 p.m.

The Company's responses to the shareholders' questions, which are copied verbatim in this announcement, are grouped according to topics as set out below:

A. Business Performance and Prospects
B. Loans and Borrowings
C. Dividend

It is important to note that these questions and responses should be read in conjunction with the Company's Annual Report 2022 and with contextual reference to the proceedings of the AGM including the presentation to be made and resolutions tabled at the AGM, along with the Company's previous announcements.

Section A – Business Performance and Prospects

Question A.1

Regard to the business segment, under Software as a service-Retail, this segment has been making losses for the past 2 years, May I know what are the reasons for the losses? And how the company intend to improve it? How big is the pie that the company is pursuing? And what are the competitors in this segment? And what are the challenges the company is facing?

Response:

Retail transactions processing segment refers to provision of Software-as-a-Service ("SaaS") subscription version of retail automation solution, pivoting from an on-premise to cloud-based SaaS solution provider.

The solutions offered under QR AgoraCloud include:
(i) Agora Retail Merchandising and Material Management
(ii) Agora F&B Merchandising and Material Management
(iii) Agora Supplier Collaboration Portal
(iv) Agora Omnichannel and E-Commerce Management
(v) Agora Hand-Held Terminal Application

As these SaaS solutions are relatively new in the market and resources are required to develop, stabilise and market these SaaS platforms, the margin for early years would be lower as compared to matured core banking offerings. Nevertheless, the revenue from retail transactions processing has increased from RM0.7 million in FY2021 to RM2.1 million in FY2022. We anticipate a steady pick up of business from this segment in FY2023.

The unprecedented shift in the global economy as a result of the COVID-19 pandemic two years ago has brought about tremendous uncertainty and complexity for retailers as they are catapulted forward to revamp their business models and sustain their operations. With the

resumption of business and economic activities at endemic phase of COVID-19, many businesses have started to embrace and enhance the digital innovations to expand their business model.

At present, the priority is given at acquiring more pharmaceutical chain retailers to offer QR Retail PharmacyTech SaaS Platform which will set the foundation of the recurring revenue for the coming years. The Group has also received proposal request from few Food & Beverage prospects. Other opportunities for growth include diversifying retail offerings to meet growing retail E-commerce needs via the Agora Omnichannel & E-Commerce solution.

Key competitors for SaaS Retail are SAP Business One and Microsoft Dynamics.

Key challenges for this segment are staff retention due to higher demand for Java technical resources by the market as Information Technology landscape changed during the COVID-19 pandemic where businesses are rapidly digitising.

Question A.2

Regard to the software as a service-insurance processing, the profit margin has been decreased from 50 over percent to 48%, may I know what is the reason for the margin decline? And how big is the addressable market that the company is pursuing? And who are your biggest competitor in this market?

Response:

Insurance ecosystem transactions and services segment margin is in the range of 49% to 53% for FY2018 to FY2022 as presented in Segmental Information notes to financial statements.

Higher performance incentives incurred in FY2022 as a reward and encouragement for the staff to push for regional and product expansion in view of the global restriction relief post COVID-19 since Q3 FY2022.

Merimen is a market leader in providing a collaborative and information exchange platform for the insurance industry in Asian. Merimen has ventured into Japan and Middle East within these two years and we are optimistic of the outlook of this segment.

Question A.3

Refer 10-year exclusive partnership with Finastra, one of the largest banking solution providers, how is the cooperation benefit both parties?

Response:

The transaction with Finastra gives us:

- Access to a world class Trade Finance product that we can OEM and white label;
- Marketing and branding learning from a large world class core banking vendor;
- Sales support and access to a new client base and new markets; and
- An upgrade path and a value-added solution to our existing Trade Finance customers.

Question A.4

The company has done well in achieving top line growth, especially the maintenance & enhancement segment, which has grown revenue consistently over the years. It has also generated positive free cash flow and maintained a good net cash position. However, the bottom line does not exhibit a similar trend.

Excluding the exceptional year of FY17, earnings before tax (EBT) margin was at least 45% from FY12 to FY16 while the same measure was mostly around 30% between FY18 and FY22. This seems to be driven by the expanding administrative and selling & distribution expenses. Measured as a share of revenue, administrative expense was mostly above 20% from FY18 and FY22 while the share was lower at below 13% from FY12 to FY16. Selling & distribution expense exhibited a similar pattern.

Does management, taking into account the current inflationary environment, expect such margin level to be the steady state or further initiatives could be undertaken to address the issue?

Response:

Over the years, the Group has undertaken various initiatives to acquire and retain the front-end, backend and key management functions team to support the Group's business operations, expansion, and acquisition.

As the Group has expanded with 50 over subsidiaries across different countries, budgets have been put in place for process improvements and automation. For example, implementation of Enterprise Resource Planning ("ERP"), pipelines management and project management tools to improve business efficiency as well as strengthen internal control in the organisation.

With digitisation and active remote-working practice during the pandemic and post pandemic, the competition for recruiting and retaining talented employees has intensified and the Group has enhanced appraisal and KPI framework, and training development programmes to attract, reward and retains this pool of resources.

To raise the awareness of the Group's products offerings and to get better market presence for Silverlake Group, budgets are in place to participate in Technology, Fintech and social/community related events and conferences, sponsorship and donation to support educational, healthcare activities etc. as part of the return or contribution to the communities. The Group 's activities are aligned and in progress with the Environmental, Social, and Governance ("ESG") framework.

The Group's expense (selling, distribution and administrative expenses) over revenue was 25% to 26% in recent years, it is one of the key cost metrics used for cost monitoring and the spending are within expectations.

Section B – Loans and Borrowings

Question B.1

The total debt increased to $200m plus in year 2022 from $26m in year 2021, why the company borrowed so much in view of the high interest rate environment?

Response:

The increase in loans and borrowings was mainly due to the drawdown of revolving credit facility of RM173.9 million to finance the off-market equal access purchase of the Company's shares during the financial year.

The current cash reserves are sufficient to support the Group's operating cash flow for approximately twelve months. With the current challenging economic environment, financial institutions are more stringent in offering loan facilities. The Group is of the view that it is prudent for the Group to conserve cash and maintain available banking facilities of a reasonable level to its overall debt position to support the working capital requirement of the Group.

As the Group continues to maintain a healthy debt leverage level at 0.21 times in FY2022, the increase in interest rate is unlikely to have any material impact to the Group's overall financial performance and position. Whilst interest rate on loans and borrowings increases, the Group will concurrently earn higher interest income from the cash conserved i.e., cash placed as short-term deposits with licensed banks and the interest earned from current account interest enhancement facility. With this, the impact from the increase in interest expenses will be offset by the higher interest income earned during the year.

The Group has cash management policy in place and will continuously monitor the overall cash position to optimise available cash and borrowings.

Section C – Dividend

Question C.1

When will the company consider to increase dividend payout ratio and pay half-yearly in the future?

Response:

The proposed dividend of Singapore 0.70 cents per share for FY2022 represents:

(i) dividend pay-out ratio of 30% based on net profit attributable to shareholders similar with last year; and

(ii) dividend yield of 2.4% based on dividend per share over the average share price of Singapore 29.7 cents traded during the year, in which the dividend yield is comparable with similar industry players.

The form, frequency and amount (or quantum) of dividends will depend on, among other things, the Company's earnings, financial performance, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate.

For example, in FY2022, the Group invested in two Insurtech companies with strong market positions i.e., DynaFront Holdings Berhad and Ancileo Pte. Ltd. to complement the expansion of Fermion Insurtech ecosystem and secured exclusive reseller rights through partnership with Finastra for the Trade Finance and corporate banking suite to augment the Group's current range of banking products.

The Group's financial condition and operating performance are being monitored closely. Any decisions for dividends are/will be made with due consideration to maintain sufficient cash to take advantage of any growth potential or business opportunities (including strategic acquisitions and partnerships) when they arise to maximise returns for long term business viability and growth, as well as the needs for returns to shareholders.

Dividend pay-outs are/will be communicated clearly to shareholders via announcements on SGXNet when the Company discloses its financial results.

BY ORDER OF THE BOARD

Andrew Tan Teik Wei
Group Managing Director

21 October 2022