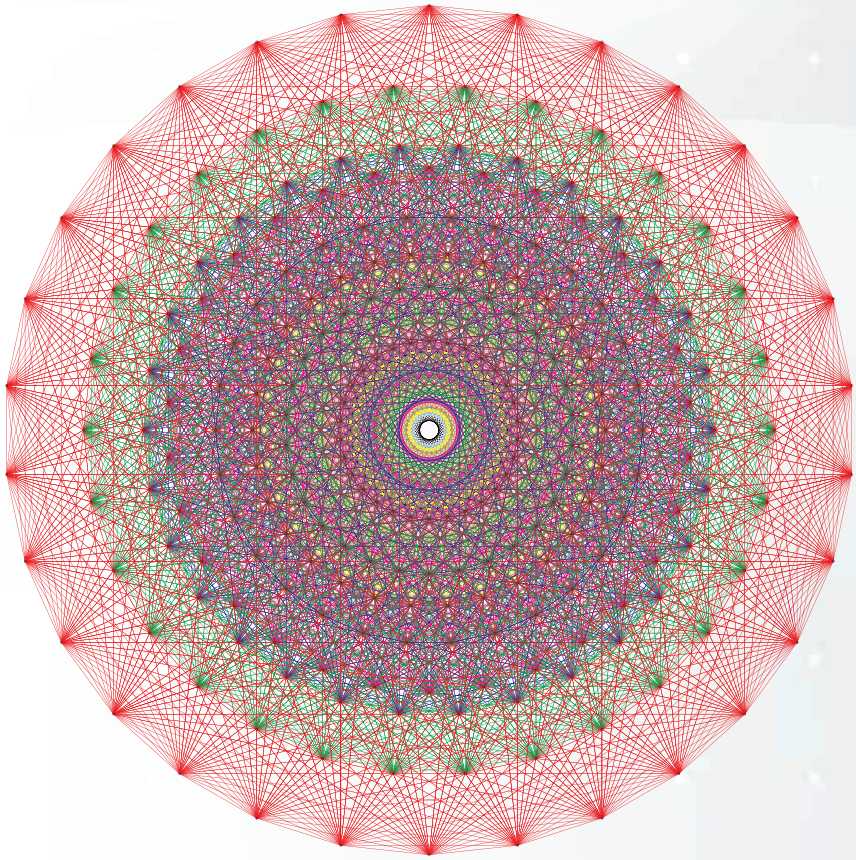



# silverlake

SYMMETRY AT WORK



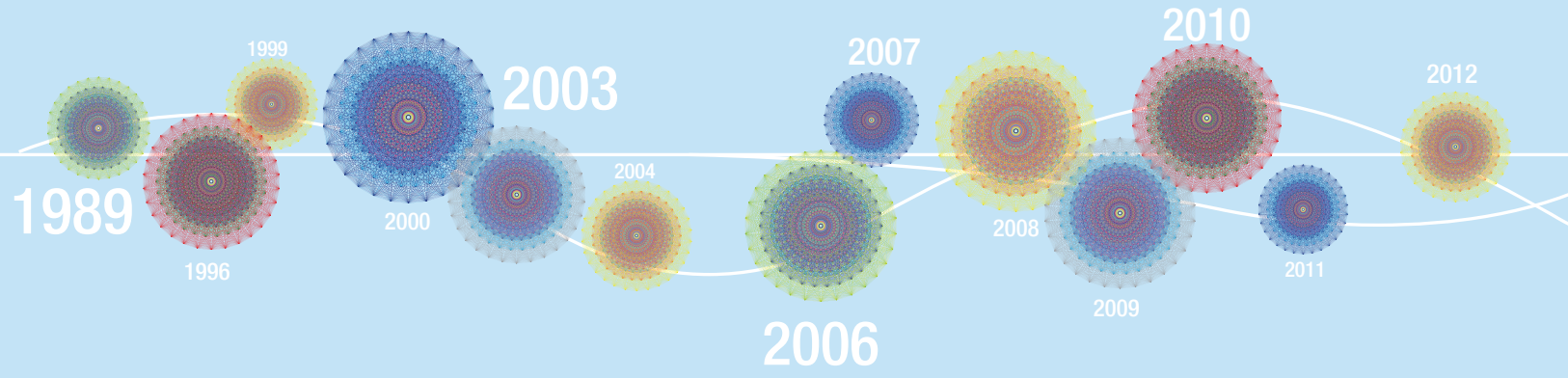
# $E_8$

The diagram above outlines the E8 root system. E8, (pronounced "E eight") is an example of a Lie (pronounced "Lee") group. Lie groups were invented by the 19th century Norwegian mathematician Sophus Lie to study symmetry. Underlying any symmetrical object, is a Lie group.

The American Institute of Mathematics (AIM), after four years of intensive collaboration, have successfully mapped E8, one of the largest and most complicated structures in mathematics in March 2007.

*Source: American Institute of Mathematics (AIM)*

## SILVERLAKE AXIS' JOURNEY




**1989**
Founded in Malaysia by Mr. Goh Peng Ooi

**1996**
16 banking clients in short span of 7 years

**1999**
Regional operations span South East Asia: Malaysia, Singapore, Thailand, Indonesia, Vietnam

**2000**
Expanded into rest of Asia and into Middle East

**2003**
Listed on the SGX-SESDAQ

Entered China market

Entered Sri Lanka market

**2004**
Established Beijing office, Silverlake Axis (Beijing) Co. Ltd.

**2006**
Acquired Silverlake Adaptive Applications & Continuous Improvement Services Ltd. Group (Silverlake's Banking Software Services)

Entered Japan market

Invested in SBI Card Processing Co. Ltd., Japan

Entered Middle East market

**2007**
Appointed as Microsoft Gold Certified Partner

Invested in Unisoft/Global InfoTech Co. Ltd. ("GIT"), China (A provider of financial information software products and integrated services in China)

Expanded licensing of Silverlake Integrated Banking Solution (SIBS) into Capital Markets Industry

Expanded licensing of SIBS into Shared Services Outsourcing Business

**2008**
Signed technology partnership with Zafin Labs

**2009**
Transitioned to Catalist sponsored-supervised regime

Acquired remaining 75% stake in Silverlake Japan Ltd. (formerly known as SBI Card Processing Co. Ltd.)

**2010**
Acquired Silverlake Solution Ltd. Group (Structured Software Maintenance & Project Services)

Acquired QR Technology Sdn. Bhd. Group (Retail & Logistic Solution)

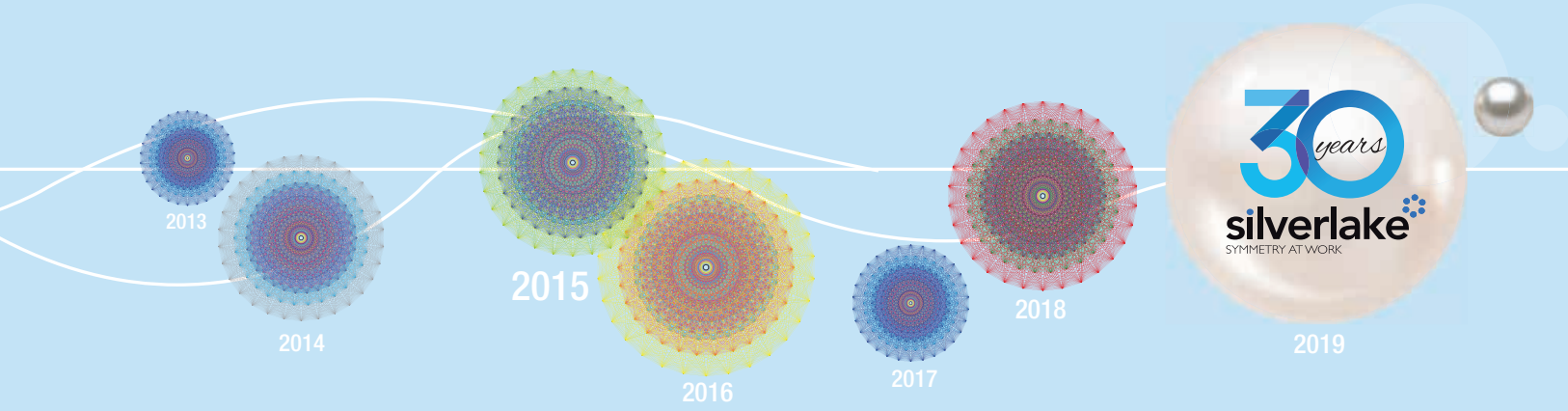
**2011**
Transferred from Catalist to the SGX Mainboard

Acquired Symmetric Payments & Integration Holdings Pte. Ltd. Group (Enterprise Payment & Integration Platform)

Established New Subsidiary, Silver Team Technology Limited

**2012**
Disposal of Silverlake Axis (Beijing) Co. Ltd.

Entered Africa market




**2013**
Acquired Merimen Venture Sdn. Bhd. Group (Insurance Claims & Policies Processing Software-as-a-Service Platform)

Acquired Cyber Village Sdn. Bhd. (Mobile & Internet Solution)

**2014**
Invested in Finzsoft Solutions Limited, New Zealand (A provider of solutions for banks & financial institutions in Australia and New Zealand)

Entered Australia and New Zealand markets

**2015**
Acquired Silverlake Symmetri (Singapore) Pte. Ltd. (formerly known as SunGard Ambit (Singapore) Pte. Ltd.) Group (Retail Banking Solution)

Entered Central Europe and South Asia markets

GIT listed on ChiNext of the Shenzhen Stock Exchange

**2016**
Established New Subsidiary, Merimen Technologies (Vietnam) Company Limited

**2017**
Established New Subsidiary, Merimen Technologies (Thailand) Co. Ltd.

Established New Subsidiary, Merimen Technologies Hong Kong Limited

Established New Subsidiary, Merimen Technologies (Malaysia) Sdn. Bhd.

**2018**
Established New Subsidiary, Merimen Automotive Group Sdn. Bhd. (Platform for Automotive Industry)

Established New Subsidiary, Affinities Village Sdn. Bhd. (Insurtech and Fintech Ecosystem Solutions)

Acquired Silverlake Digital Economy Sdn. Bhd. (Digital Banking Solution)

Acquired Silverlake Digitale Sdn. Bhd. (Payment Solutions)

Acquired Silverlake One Paradigm Sdn. Bhd. (Rules-based Applications and Tools)

Established New Subsidiary, QR Agoracloud Sdn. Bhd. (Software-as-a-Service Platform for Retailers)

Established New Subsidiary, QR Retail Automation Vietnam Company Limited

**2019**
Acquired SIA X Infotech Group, Latvia (Digital Identity and Security Technologies)

Entered Europe and Central America markets

Established New Subsidiary, Silvirture Limited

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OTHERS

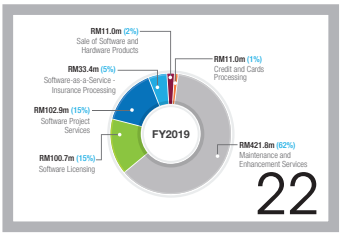
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Chairman's Statement

We expect some of the positive business sentiments in the financial services industry to continue in FY2020.




Operations Review

Technology spending by Asian financial institutions and corporations have shown improvement in FY2019.




Sustainability Report

Our sustainability report is published annually and covers our sustainability performance and efforts throughout the period from 1 July 2018 to 30 June 2019.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

GOH PENG OOI
Group Executive Chairman

ANDREW TAN TEIK WEI
Group Managing Director
(appointed on 1 July 2019)

DR. KWONG YONG SIN
Executive Director
(appointed on 1 July 2019)
Group Managing Director
(retired on 30 June 2019)

GOH SHIOU LING
Executive Director

ONG KIAN MIN
Lead 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

YAU AH LAN
(A.K.A. DATUK YVONNE CHIA)
Independent Non-Executive Director

SEE CHUANG THUAN
Independent Non-Executive Director

VOON SENG CHUAN
Non-Executive Director

## REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda
Tel : +1 441 295 1422
Fax : +1 441 292 4720

## CORPORATE OFFICE

6 Raffles Quay,
#18-00,
Singapore 048580

## SHARE REGISTRAR

BERMUDA

Conyers Corporate Services
(Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

## SHARE TRANSFER AGENT

SINGAPORE

Boardroom Corporate &
Advisory Services Pte Ltd
50 Raffles Place
#32-01
Singapore Land Tower
Singapore 048623
Tel : 65 6536 5355
Fax: 65 6438 8710

## JOINT COMPANY SECRETARIES

Tan Min-Li
Priscilla Tan

## ASSISTANT SECRETARY

Conyers Corporate Services
(Bermuda) Limited

## AUDITORS

Ernst & Young
Kuala Lumpur, Malaysia
Chartered Accountants
Audit Partner: Hoh Yoon Hoong
(with effect from financial year
ended 30 June 2015)



**A leading enterprise technology,**
software and services company
in the high growth Asia Pacific Region

**Our Corporate Objective**
To Deliver Long Term Value for All Our Stakeholders Through Technology Innovations and Business Collaborations

**Our Vision**
To Be Asia Pacific's Largest Digital Economy Solutions Company

**Our Mission**
To Be The Leading Fintech Company, Highly Valued by Our Customers and Partners

**Our Clients**
Core system platform partner of choice for 3 of the 5 largest ASEAN super regional financial institutions. Over 380 customers using the Group's software solutions and services.

## MARKET SIZE

Over 40% of the top 20 largest banks in South East Asia use Silverlake Axis' core banking solutions

## TRACK RECORD

30 years of successful implementation of enterprise core software applications with 100% success rate

## GLOBAL PRESENCE

Partnering clients in over 80 countries around Asia, Europe, Middle East, Africa, Americas, Australia and New Zealand

30 years
silverlake
SYMMETRY AT WORK

# SYNERGY OF SOFTWARE AND SERVICES

## Software Licensing

Silverlake Axis offers innovative Digital Economy Propositions and Enterprise Solutions to its customers to the multiple ecosystems including Banking, Insurance, Government, Retail, Payment and Logistics. **Over 40% of the top 20 largest banks in South East Asia run on Silverlake Axis' Core Banking solutions**. Leveraging on superior solutions and emerging technologies, Silverlake Axis is committed to achieving operational excellence and has transformed over **380 business entities across Asia, Europe, Middle East, Africa, Americas, Australia and New Zealand**.

## Maintenance and Enhancement Services

Silverlake Axis works with our customers to ensure daily business operations are running smoothly and able to keep up with dynamic industry changes. We perform **Maintenance Services** for the Silverlake Axis software solutions that we have implemented for our customers. Our professional teams are dedicated to ensure that **Enhancements** are planned and deployed per the required software release schedule.

## Software Project Services

Silverlake Axis also prides in its ability to deliver projects on time, within budgetary means and with the highest quality. To-date, Silverlake Axis has achieved **100% success track record** in **Project Implementation** for customers.

## Sale of Software and Hardware Products

For customers requiring third party hardware and system software to run the Silverlake Axis Integrated Banking Solution (SIBS) in their core banking implementations, Silverlake Axis includes the sale of **Software and Hardware Products** as a bundled offering with our software licensing and project implementation services.

## Credit and Cards Processing

Silverlake Japan, the Group's wholly-owned subsidiary in Japan, provides **Outsourcing Services** for the processing of credit card, debit card, prepaid card, eMoney, hire purchase and unsecured loans. These services are offered to Japanese card issuers in Japan and banks providing remote service for Japan and Japanese card issuers in Asia.

## Software-as-a-Service - Insurance Processing

Silverlake Axis offers solutions and services for the Insurance and Takaful industry in Asia. **Merimen**, a subsidiary of Silverlake Axis, provides a **Software-as-a-Service (SaaS)** collaborative platform that connects different parties in the **Insurance Ecosystem** to ensure faster processing speed, improved efficiency and easier performance evaluation.

Dear Fellow Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the Annual Report of the Group for the financial year ended 30 June 2019.

## REVIEW OF FY2019

FY2019 benefited from the recovery in capital expenditure for core banking amongst ASEAN banks from 2017. Two core banking contracts were secured in Thailand in 2017, followed by two contracts with Malaysian banks and a digital transformation contract with a financial institution in Hong Kong by the middle of 2018. Execution of these contracts in FY2019, and the progressive recognition of their revenue contributed to the growth in project related revenue comprising software licensing and software project services from RM92 million in FY2018 to RM204 million in FY2019. Our main recurrent revenue base of maintenance and enhancement services maintained a steady growth of 8% and reached RM422 million.

With higher contributions from the two largest business segments, group revenue rose 26% to RM681 million in FY2019. The Group's earnings before interest, taxes, depreciation, and amortisation ("EBITDA") grew 99% from RM167 million in FY2018 to RM333 million in FY2019. In addition to higher revenue, the growth in EBITDA was also boosted by a significant jump in Other Income to RM56 million, comprising mainly of four items: two non-cash gains totalling RM24 million were related to the acquisitions of Silverlake Investment Ltd. Group ("SIL Group") and SIA X Infotech Group ("XIT Group"), and two gains totalling RM27 million were related to reversal of value-added tax accrued on the sale of Global InfoTech Co. Ltd. ("GIT") shares in prior years and the disposal of freehold land in FY2019. The operational improvement and higher Other Income lifted the Group's net profit attributable to shareholders by 83% to RM246 million with a 36% net profit margin.

The April 2018 acquisition of three companies under the SIL Group expanded the Group's digital capabilities. Together with existing capabilities, these new digital capabilities were deployed to fulfil the core banking contracts secured in Malaysia and Hong Kong in 2018 as well as the portfolio of other digital contracts secured in the second half of 2018 and 2019. With the increasing reliance on digital systems and infrastructure to deliver banking and financial services, I am confident that these digital capabilities will be well received by our existing and new customers in banking and financial industries. The Group will continue to expand its suite of digital products and services through internal development and selective acquisitions.

We raised RM532 million from selling GIT shares in FY2017 and FY2018. As conditions were not favourable in FY2019, no GIT shares were sold during the financial year. Instead, we took advantage of market opportunities to buy-back about 13.9 million of our own shares from the market, and will continue to do so in the current financial year, if conditions are right. Selective acquisition of technologies is a key component of our strategy to increase market share and revenues from existing customers and in early 2019, we acquired the XIT Group, a specialist in digital identity documents and electronic payment cards for an initial sum of RM59 million (equivalent to EUR13 million). In FY2019, we continued with our quarterly dividend payments and when the final dividend is approved by shareholders, we would have paid out 59% of our significantly expanded net profit for FY2019.

## EXPANDING OUR MARKET SHARE

Our business model and the strategic nature of our relationships with our customers result in long-term partnerships with some of the largest banks in South East Asia. We leverage on these long-term partnerships to expand our market share through the acquisition of synergistic technologies and services to complement our ongoing internal developments and innovations. Acquisitions also enable us to broaden our geographical footprint. The Strategic Investment Committee with a balanced mix of expertise and skill sets comprising directors, selected staff and external consultants is tasked with the evaluation of suitable opportunities for acquisition.

The acquisition of the SIL Group expanded our digital capabilities in a fast growing area of financial services. By cross-selling these new digital services to our existing pool of core banking customers, we were able to significantly increase our share of the digital pie. Combined and packaged together with our core banking technologies, Straight Through Banking as a complete end-to-end suite of products and services is a very compelling technological proposition for customers seeking to upgrade their core banking, banks contemplating mergers and acquisitions, and financial institutions planning to replace their legacy core banking systems. The marketing of our expanded suite of go-to-market technologies and services have increased our project pipelines.



In early 2019, we launched Fermion as Silverlake Axis' Insurtech Ecosystem Platform to benefit a wider community of insurance industry participants. Fermion started with the combination of Merimen's capabilities in processing systems and data collection for Artificial Intelligence analytics with Cyber Village's strengths in digital customer engagement solutions. Both Merimen and Cyber Village were prior years' acquisitions. Fermion will act as a platform consolidator to connect partners and participants to the ecosystem to offer complementary services across the insurance value chain. Fermion will seek to collaborate or acquire some of these partners in the ecosystem. The recent acquisition of the XIT Group, a global provider of software solutions for digital identity documents and electronic payment cards will further expand the offerings of Straight Through Banking as well as diversify our services to the eGovernment sector.

## PROSPECTS

The Group has been experiencing an active flow of new business enquiries and requests for proposals from existing and potential customers. Our project pipelines under pursuit is healthy. We are conscious that the ongoing trade dispute between the United States and China has resulted in slower economic growth in many countries in Asia. The Group is monitoring the situation closely as any delay in resolving the trade dispute could turn the general uncertainties into a more cautious business environment. As a strategic technology partner to large financial institutions in Asia, we manage their mission critical IT systems and a majority portion of our revenue from these long-term customers are recurrent in nature.

## A WORD OF THANKS

On behalf of the Board, I would like to thank our management and staff for their many contributions and commitment in working closely with our existing and potential customers. Dr. Raymond Kwong retired as Group Managing Director at the end of FY2019 and I thank him for his long service in that position. Dr. Raymond Kwong remains as a member of the Board and an Executive Director leading our investments and Strategic Digital Value Program initiatives. I welcome Mr. Andrew Tan as our new Group Managing Director and the Board will work closely with Andrew as he charts a new growth path for the Group. As always, I am deeply appreciative of the advice and guidance from all my fellow directors. I remain grateful to our customers, shareholders, business associates and bankers for their continuing support.

**Goh Peng Ooi**
Group Executive Chairman
26 September 2019

In January 2019, Silverlake Axis Group acquired 80% of SIA X Infotech Group's shares, enabling the Group to offer Digital Identify and Security Technologies to its existing and new customers. This latest acquisition is in line with the Group's vision to strategically transform itself into an innovation accelerator and enhance its digital economy offerings.

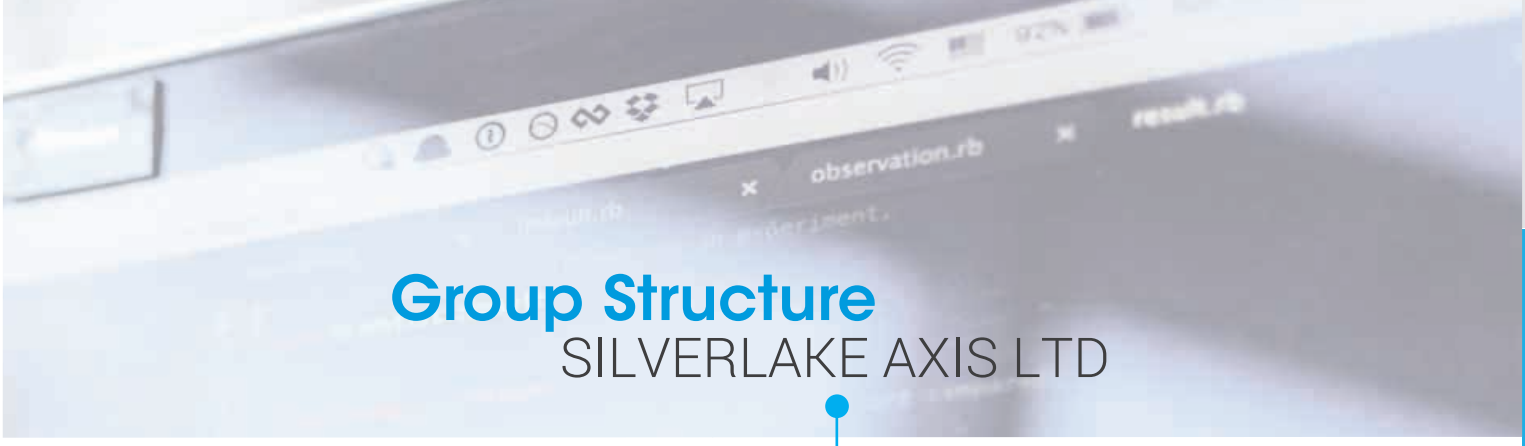
INFOTECH
secure identity and payments

SIA X Infotech Group ("XIT") is a leading provider of software solutions for the issuance and verification of digital identity documents and financial smart cards. XIT offers a multitude of digital identity and security solutions including citizen and customer identity management, biometric enrolment, document and document holder biometric verification, document and card personalisation and issuance, mobile and multifactor user authentication and payment, and Public Key Infrastructure applications. Headquartered in Latvia, XIT has successfully implemented projects in more than 45 countries across the world including Europe, Asia, Africa and Latin America for governments, banks and financial institutions.




"Digital identity and security technologies are natural additions to our capabilities to accelerate digital enterprise transformation in areas such as customer onboarding, customer engagement, payments, anti-money laundering, fraud prevention and cyber security. In adding XIT to the Group, our customers will benefit from a larger portfolio of solutions to modernise traditional identity, security and access management."

**DR. KWONG YONG SIN**
Executive Director



# Group Structure

## SILVERLAKE AXIS LTD

### BANKING

- *Software licensing*
- *Software project services*
- *Maintenance and enhancement services*
- *Sale of software and hardware products*

| | |
|---|---|
| **Silverlake Axis Sdn. Bhd.** | **100%** |
| **Silverlake Adaptive Applications & Continuous Improvement Services Ltd.** | **100%** |
| Silverlake Holdings Sdn. Bhd. | 100% |
| Silverlake Axis MSC Sdn. Bhd. | 100% |
| **Silverlake Solutions Ltd.** | **100%** |
| Silverlake Structured Services Sdn. Bhd. | 100% |
| Silverlakegroup Pte. Ltd. | 100% |
| Silverlakegroup Pte. Ltd. (Philippines branch) | 100% |
| Silverlake Structured Services Ltd. | 100% |
| PT Structured Services | 100% |
| Silverlake Sistem Sdn. Bhd. | 100% |
| **Symmetric Payments & Integration Holdings Pte. Ltd.** | **100%** |
| Symmetric Payments & Integration Pte. Ltd. | 100% |
| Symmetric Payments & Integration Sdn. Bhd. | 100% |
| **Cyber Village Sdn. Bhd.** | **100%** |
| Affinities Village Sdn. Bhd. | 100% |
| **Silverlake Investment Ltd.** | **100%** |
| Silverlake Digital Economy Sdn. Bhd. | 100% |
| Silverlake Digitale Sdn. Bhd. | 100% |
| Silverlake One Paradigm Sdn. Bhd. | 100% |
| **Silverlake Symmetri (Singapore) Pte. Ltd.** | **100%** |
| Silverlake Symmetri (Malaysia) Sdn. Bhd. | 100% |
| Silverlake Symmetri (Philippines) Enterprises, Inc. | 100% |
| Silverlake Symmetri (Thailand) Limited | 100% |
| Silverlake Symmetri Pakistan (PVT.) Limited | 100% |
| Silverlake Symmetri (Czech Republic) s.r.o. | 100% |
| Silverlake Symmetri (Slovakia) spol. s.r.o. | 100% |
| Representative Office of Silverlake Symmetri (Singapore) Pte. Ltd. in Hanoi | 100% |
| Silverlake Symmetri (Singapore) Pte. Ltd. (Dubai Branch) | 100% |

### INSURANCE

- *Software-as-a-Service - Insurance Processing*

| | |
|---|---|
| **Merimen Ventures Sdn. Bhd.** | **100%** |
| Merimen Online Sdn. Bhd. | 100% |
| Merimen Technologies (Singapore) Pte. Ltd. | 100% |
| P.T. Merimen Technologies Indonesia | 100% |
| Merimen Technologies Philippines Inc. | 100% |
| Motobiznes Online Sdn. Bhd. | 51% |
| Merimen Technologies (Vietnam) Company Limited | 100% |
| Merimen Technologies (Thailand) Co. Ltd. | 100% |
| Merimen Technologies Hong Kong Limited | 100% |
| Merimen Technologies (Malaysia) Sdn. Bhd. | 100% |
| Merimen Automotive Group Sdn. Bhd. | 100% |

### Others

- *Credit and cards processing*
- *Retail automation*
- *Digital identity and security technologies*

| | |
|---|---|
| **Silverlake Japan Ltd.** | **100%** |
| **QR Technology Sdn. Bhd.** | **100%** |
| QR Retail Automation (Asia) Sdn. Bhd. | 100% |
| QR Retail Automation (S) Pte. Ltd. | 100% |
| QR Agoracloud Sdn. Bhd. | 100% |
| QR Retail Automation Vietnam Company Limited | 100% |
| **SIA X Infotech Group** | **80%** |
| SIA X Infotech | 100% |
| X-Infotech Africa Limited | 100% |

### INVESTMENT

- *Strategic holdings*

| | |
|---|---|
| **Silver Team Technology Limited** | **100%** |
| Global InfoTech Co. Ltd.[1] | 8.30% |
| **Silvirture Limited** | **100%** |
| **Silverlake HGH Limited** | **51%** |
| Finzsoft Solutions Limited [1] | 85.47% |

[1] Public listed company



## GOH PENG OOI

Group Executive Chairman
Member of Nominating Committee

First appointment as a director: 23 August 2002
Last re-election as a director: 27 October 2016
Due for re-election as a director: 24 October 2019

Mr. Goh was appointed Group Executive Chairman on 23 May 2006. Prior to that, he was Non-Executive Chairman since 2002.

Mr. Goh has over 30 years of experience in Information Technology. He obtained a Bachelor of Engineering majoring in Electronics Engineering from the University of Tokyo on the Monbusho scholarship.

He began his career in IBM Malaysia and held several senior positions over his nine-year tenure, his last being Marketing Manager for Banking and Finance.

In 1989 he founded the Group. Based on his foresight on the future of technology demands of the Banking industry, the Group has been established as a leading provider of state-of-the-art universal banking solutions.

Today, the Group is a multibillion-dollar organisation with key offices around the globe and some of its member companies listed on various stock exchanges. Since its inception, the Group's original tagline, 'Symmetry at Work', was recently revised to 'Symmetry at Work Powering Hundreds of Deep Tech and New Tech Companies', to reflect not only the Supply Side of the economy, but also the Demand Side, such as in Fintech, Digital Finance, Cloud Computing, Digital Franchising and other various high-tech areas. The Group and Silverlake Private Entities have a core staff force of more than 2,500 worldwide, excluding that of its associated and related companies, supporting over 380 enterprise customers who are located in over 80 countries across all continents. The Group has earned many industry recognitions since its inception including the IBM Partner Excellence Award (2012), IBM ASEAN Golden Circle Award (2012), Forbes' Best Under A Billion – Best of the Best (2013), The Asian Banker Vendor Satisfaction Survey Gold Award (2014) and Forbes' Best Under A Billion (2015).

Personally, Mr. Goh has twice won the Ernst & Young Entrepreneur of the Year Award Malaysia, recognising entrepreneurial excellence, first in 2005 under the Technology Entrepreneur category; and the second in 2014 under the Master Technology Entrepreneur category. The World Chinese Economic Summit in 2015 presented a Lifetime Achievement Award for Excellence in Information Technology to Mr. Goh. In 2017, he was conferred the ASEAN Legacy Award in the ASEAN Business Awards, which recognises ASEAN entrepreneurs that have created positive impact and inspiration within ASEAN communities. Most recent in 2019 at the ASEAN Community Leadership and Partnership Forum 2019, Mr. Goh was the sole recipient of the ASEAN Entrepreneur of the Year Award bestowed to distinguish business personalities who have contributed significantly to ASEAN. In 2015 article about Silverlake, Forbes referred to Mr. Goh as the first tech-billionaire in Malaysia.

Aside from his business and professional achievements, Mr. Goh is very much involved in academics – especially in Science and Mathematics. He is particularly interested in the research of Science of Intelligence and its application to Human Actions and Economy, and where possible enjoys giving talks in various schools of higher learning. He specialises in the application of Category Theory, leading to the formulation of his Sigma Scheme, a new Time-Space view verses physics' Space-Time view, and with that clarity, developed something known as Sigma Excellence Insights, and with that insights, built a high-tech enterprise group based on 'Symmetry at Work Powering Hundreds of Deep Techs and New Techs'.

Mr. Goh is a Fellow of the Academy of Sciences Malaysia (ASM), an Industry Advisor of the Lee Kong Chian Faculty of Engineering and Science in Universiti Tunku Abdul Rahman, a Fellow of the ASEAN Academy of Engineering and Technology (AAET), a Member of the ASM Science and Technology and Industry Linkage Committee, an Adviser of the ACCCIM Science, Technology and Innovations Committee, a Member of the Board of Governors of First City University College, a Member of the Azman Hashim Advisory Council (AAC) of Universiti Teknologi Malaysia; an Advisor for Japan Graduates Association of Malaysia (JAGAM), and a Member of the International Advisory Council of the Association of Malaysian Economics Undergraduate.

Mr. Goh currently holds directorships in a number of his private investment companies. He does not hold any directorships in other listed companies.



## ANDREW TAN TEIK WEI

Group Managing Director (appointed on 1 July 2019)

First appointment as a director: 1 July 2019
Due for re-election as a director: 24 October 2019

Mr. Tan was appointed as Group Managing Director effective 1 July 2019. He joined the Group in April 2018 where he led and grew the Group's core banking business, prior to his current role.

Mr. Tan has a 35-year career history in the management consulting and IT industry. Prior to joining the Group, Mr. Tan was the Managing Director of SAS Institute in Malaysia and Indonesia – a leader in transforming businesses using analytics. A large part of Mr. Tan's career was spent with the Big 4 Professional Services firms, in their advisory and consulting divisions. His career began with Andersen Consulting (now Accenture) where he was an associate partner for the financial services industry sector. He played leading roles in bank advisory and transformational initiatives, particularly for banks in ASEAN. Subsequently, he became the Managing Partner of Arthur Andersen Business advisory division in ASEAN, based in Singapore and was responsible for over 500 consultants. In 2002, he led the merger of the Arthur Andersen Singapore business advisory team with BearingPoint – formerly the consulting arm of KPMG US. Mr. Tan spent 3 years in Central Asia based in Almaty Kazakhstan where he was a partner in charge for Deloitte Consulting covering Central Asia. Through his career history, Mr. Tan has served clients in various industries – predominantly in financial services and in industrial/retail, telecommunications, energy and the public sector.

Mr. Tan graduated in Exeter University, UK with a combined honours degree in Geology and Chemistry. He holds an MBA from the University of Aston in Birmingham.



## DR. KWONG YONG SIN

Executive Director (appointed on 1 July 2019)
Group Managing Director (retired on 30 June 2019)

First appointment as a director: 20 August 2004
Due for re-election as a director: 24 October 2019

Dr. Kwong, 63, was Group Managing Director from 1 November 2005 and retired from the role on 30 June 2019. From 1 July 2019, he takes on the role of Senior Advisor to the Group and leads the Strategic Digital Value Program to accelerate the growth and value creation of the Group's Digital Ecosystem Platforms. Dr. Kwong continues as an Executive Director of the Group.

Dr. Kwong was the Managing Director of Silverlake Corporation and Connectif Commerce Sdn. Bhd. (both were under Silverlake Group) from 2001 to December 2003 and October 2005 respectively, where he led the successful implementation of several key SIBS customer transformation projects. Prior to joining Silverlake Group, he was a Partner/Vice President of Ernst & Young Global Consulting and Cap Gemini Ernst & Young for 11 years from 1989 to 2000. He was the Senior Manager and Head of IT Consulting for Coopers & Lybrand (South East Asia) from 1984 to 1989. He started his professional career as a Senior Systems Analyst for Pacific Power (Australia) from 1979 to 1983.

Dr. Kwong has 40 years of experience in Information Technology, Business Transformation and Solution Implementation in Financial Services, Utilities and Technology Industries. He has a Bachelor of Commerce (Honours) from the University of New South Wales (Australia) and Ph.D in Information Systems. He is a Certified Practicing Accountant (Australia).

Dr. Kwong was appointed as Non-Executive Director of Finzsoft Solutions Limited, an associate company of the Group on 20 April 2015. Finzsoft Solutions Limited is listed on the New Zealand Stock Exchange. He was a Non-Executive Director of Global InfoTech Co. Ltd. until March 2017.



## GOH SHIOU LING

Executive Director

First appointment as a director: 1 June 2015
Last re-election as a director: 26 October 2017

Ms. Goh was appointed as Executive Director on 1 April 2018, leading the Group' strategic acquisitions and investments team to contribute to the growth and value creation of the Company. Prior to that, she was Non-Executive Director.

Ms. Goh's early career started at Cornerstone Research, a leading U.S. based economic consulting firm that provides analytical support and expert testimony in complex litigation and regulatory proceedings. While being based in United States as their economic consultant, Ms. Goh was responsible to analyse litigation cases involving market manipulation in the Financial Services, Energy and Commodities sectors. She also conducted investment decisions analysis involving complex foreign tax, auction rate securities and mortgage backed securities. These analyses were used to backup testifying experts' reports for large litigation cases involving class-action lawsuits, U.S. Futures Commodity Trading Commission, Securities Exchange Commission and Department of Justice.

In 2014, Ms. Goh returned to Malaysia after spending 12 years in the United States and joined the Silverlake Private Entities. Here, she was responsible for evaluating investment opportunities and led several corporate initiatives, including corporate restructuring and financing, that focused on growth and value creation in the Silverlake Private Entities.

Ms. Goh graduated from Duke University in 2010 with a Bachelor Degree in Economics and Mathematics (Dean's List).

Ms. Goh is a Non-Executive Director for several privately held companies and does not hold any directorships in other listed companies.



## ONG KIAN MIN

Lead Independent Non-Executive Director
Chairman of Audit and Risk Committee
Chairman of Nominating Committee
Member of Remuneration Committee

First appointment as a director: 9 January 2003
Appointment as lead independent non-executive director: 1 July 2018
Last re-election as a director: 27 October 2016
Due for re-election as a director: 24 October 2019

Mr. Ong was called to the Bar of England and Wales in 1988, and to the Singapore Bar the following year. In his more than 30 years of legal practice, he focused on corporate and commercial law, such as mergers and acquisitions, joint ventures, IPOs and corporate finance. Mr. Ong was awarded the President's Scholarship and Singapore Police Force Scholarship in 1979, and holds a Bachelor of Laws (Honours) external degree from the University of London and a Bachelor of Science (Honours) degree from the Imperial College of Science & Technology in England. Mr. Ong was an elected Member of the Singapore Parliament from 1997 to 2011. He was previously Non-Executive Chairman of HUPSteel Limited and an independent Non-Executive Director of GMG Global Ltd, Jaya Holdings Limited and LANKom Electronics Limited.

In addition to practicing as consultant with Drew & Napier LLC, a Singapore law firm, Mr. Ong is also a senior advisor with Alpha Advisory Pte. Ltd., an independent financial and corporate advisory firm. He is also independent Non-Executive Director of BreadTalk Group Limited, Food Empire Holdings Limited, OUE Hospitality REIT Management Pte. Ltd. and Penguin International Ltd.



## PROFESSOR TAN SRI DATO' DR. LIN SEE YAN

Independent Non-Executive Director
Chairman of Strategic Investment Committee
Member of Nominating Committee

First appointment as a director: 9 January 2003
Last re-election as a director: 26 October 2018

A banker for most of his professional life, Prof. Lin is a Harvard educated economist and a British Chartered Scientist. After his undergraduate studies at the University of Malaya in Singapore, he graduated with 3 advanced degrees from Harvard University, including a Ph.D in economics. Schooled in philosophy & mathematics, Prof. Lin is Malaysia's first UK Chartered Statistician. He is currently an independent strategic and financial consultant. He was advisor to all Prime Ministers and Finance Ministers of Malaysia. Prior to 1998, he was the Chairman and Chief Executive Officer of the diversified Pacific Bank Group and for 14 years previously, Deputy Governor of Bank Negara Malaysia (Central Bank of Malaysia) where he served as a central banker for 34 years. He continues to serve the public interest, including Member of key Ministry of Higher Education Committees on national education issues, Member of Search Committee for Vice-Chancellors of public universities; and Economic Advisor of Associated Chinese Chambers of Commerce and Industry of Malaysia. He was previously an independent Non-Executive Director of JobStreet Corporation Berhad, Top Glove Corporation Berhad, F&N Limited and Straits Trading Limited.

Prof. Lin served as an expert on many international studies groups, on foreign central bank panels (including IMF, World Bank and UN agencies), as well as on the Asian Shadow Finance Regulatory Committee. In addition, he sits on the Boards of a diverse group of publicly listed companies (including Ancom Berhad, Genting Berhad, Wah Seong Corporation Berhad, IGB REIT Management Sdn Bhd and Sunway Berhad), private companies and social enterprises as well as of universities and foundations in ASEAN nations. He is Chairman Emeritus, Harvard Graduate School Alumni Association Council at Harvard University and for the past 20 years, President of Harvard Club of Malaysia. He is also Pro-Chancellor & Research Professor at Sunway University, Pro-Chancellor of Universiti Technologi Malaysia, and Professor of Economics (Adjunct) at Universiti Utara. He is the author of "The Global Economy in Turbulent Times" 2015 (Wiley) & "Turbulence in Trying Times" 2017 (Pearson) and a columnist at the Star national newspaper.

Prof. Lin will be retiring from his position as Director after the conclusion of the FY2019 Annual General Meeting, and he will consequently cease as Chairman of the Strategic Investment Committee and member of the Nominating Committee.



## LIM KOK MIN

Independent Non-Executive Director
Member of Audit and Risk Committee
Member of Remuneration Committee
Member of Nominating Committee

First appointment as a director: 15 June 2006
Last re-election as a director: 26 October 2018

Mr. Lim has more than 45 years of extensive senior management and over 30 years of board experience in the Asia-Pacific region. Mr. Lim is an Economics Honours graduate from University of Malaya. He is the immediate past Chairman of Gas Supply Pte. Ltd., and a former Chairman of Senoko Power Limited, Singapore Institute of Directors and Building & Construction Authority. He was the Executive Deputy Chairman of LMA International NV, Deputy Chairman of NTUC FairPrice Co-operative, Vice Chairman of the Singapore Institute of Management and of the "Agri-food and Veterinary Authority". He was previously Group Managing Director of Pan-United Corporation Limited and JC-MPH Ltd, and Chief Executive Officer of Cold Storage Holding Limited. Mr. Lim was previously an independent Non-Executive Director of Boustead Singapore Ltd. He was also a former member of the Securities Industry Council, and the Corporate Governance Council, and a former director/Council Member of both the Singapore International Chamber of Commerce and the Singapore Confederation of Industries. He is the past Chairman of the OECD Asian Network on Corporate Governance for State Owned Enterprises and was a member of the Singapore Companies Act Review Committee.

Mr. Lim is currently the Chairman and a member of the Audit Committee of IREIT Global Group Pte. Ltd. He is also the Chairman of Boustead Projects Ltd, Chairman of its Nominating and its Remuneration Committees and a member of its Audit and Risk Committee. He sits on the boards of five private companies and holds chairmanship in one of these private companies. He is also an industrial advisor to a European Private Equity Fund.



## TAN SRI DATO' DR. MOHD MUNIR BIN ABDUL MAJID

Independent Non-Executive Director
Chairman of Remuneration Committee
Member of Audit and Risk Committee

First appointment as a director: 1 June 2015
Last re-election as a director: 26 October 2017

Tan Sri Dr. Munir returned from his studies and work experience in the UK as a university tutor and research analyst in the City of London at the end of 1978, and started work in Malaysia as leader writer for the New Straits Times. He progressed to the position of Group Editor before leaving in 1986 to become Chief Executive Officer of a small merchant Bank Pertanian Baring Sanwa, whose name has changed to Commerce International Merchant Bankers (CIMB), which was then transformed into one of Malaysia's leading merchant banks. In 1993, he was invited by the Government of Malaysia to establish the Securities Commission, where he served as founder Executive Chairman for two terms until 1999. He was instrumental in shaping the legal and regulatory framework of the capital markets in Malaysia, particularly in establishing disclosure-based regulation. He was also responsible for drafting the country's first code of corporate governance in the aftermath of the Asian Financial Crisis of 1997-1998. He was the Chairman of the Emerging Markets Committee of the International Organisation of Securities Commissions during his term at Malaysia's Securities Commission. After leaving the Securities Commission, he became Independent Non-Executive Director of Telekom Malaysia Berhad, Chairman of Celcom (Malaysia) Berhad and Non-Executive Chairman of Malaysian Airline System Berhad. He was Founder President of the Kuala Lumpur Business Club, established in 2003 and is a member of the Court of Fellows of the Malaysian Institute of Management.

Tan Sri Dr. Munir is currently Chairman of Bank Muamalat Malaysia Berhad, CIMB Asean Research Institute and the Asean Business Advisory Council, Malaysia, as well as President of the Asean Business Club. He also sits on the board of the Institute of Strategic and International Studies (ISIS) Malaysia and the Financial Services Talent Council of Bank Negara Malaysia. He is a Fellow Chartered Banker of the Asian Institute of Chartered Bankers and a member of Economic Action Council Malaysia appointed by the Prime Minister, Tun Dr. Mahathir Mohamad.

Tan Sri Dr. Munir obtained a B.Sc. (Econ) and Ph.D in International Relations from the London School of Economic and Political Science (LSE) in 1971 and 1978. He is an Honorary Fellow of LSE and continues the long association with his alma mater as Visiting Senior Fellow at the Centre of International affairs, Diplomacy and Strategy. He is also an associate of Southeast Asia Centre (SEAC) at LSE.



## YAU AH LAN (A.K.A. DATUK YVONNE CHIA)

Independent Non-Executive Director
Member of Audit and Risk Committee
Member of Remuneration Committee
Member of Nominating Committee

First appointment as a director: 1 June 2015
Last re-election as a director: 26 October 2018

Datuk Yvonne Chia has more than 40 years of experience in the financial services industry, having held leading positions in foreign and local institutions. She is a trailblazer for women in banking and was the first female Chief Executive Officer of any commercial bank in Malaysia. An award-winning senior banker, she was named among the '50 business women in the mix' in 2013 by Forbes Asia and two-time finalist in the CNBC Asia Business Leader Award.

Datuk Yvonne Chia has held various positions in the region with an American Bank for over 15 years and then joined the Malaysian banking scene in 1994. Until June 2013, she was the Group Managing Director of Hong Leong Banking Group Malaysia (2003 - 2013); Group Managing Director of RHB Banking Group (1996 - 2002) and led both banks expansion to be leading and high performing banks in Malaysia and the Region. She has played a distinctive role in shaping the Malaysian banking scene with the mergers and acquisitions she led.

Datuk Yvonne Chia is currently the Independent Non-Executive Chairman of Standard Chartered Bank Malaysia Berhad, and Standard Chartered Saadiq Berhad, Senior Lead Non-Executive Director of Astro Malaysia Holdings Berhad, and a Trustee for Teach For Malaysia Foundation. As well, she is a Council Member of the Asian Institute of Chartered Bankers (AICB).

Datuk Yvonne Chia is a Fellow Chartered Banker and holds a Bachelor of Economics (Honours) from University of Malaya.



## SEE CHUANG THUAN

Independent Non-Executive Director
Member of Strategic Investment Committee

First appointment as a director: 1 July 2018
Last re-election as a director: 26 October 2018

Mr. See has 37 years of experience in the IT industry. After graduation, Mr. See spent the first 16 years of his career with IBM Malaysia. From his time at IBM, his roles encompassed a wide variety of skills, from Strategic IT Consulting, General Management, Sales and Marketing Management. He also acquired deep and broad knowledge of IT applications across many industries and in-depth expertise in manufacturing distribution and retail business processes.

In the early 1990s, Mr. See pioneered the introduction of Electronic Data Interchange (EDI) in Malaysia's manufacturing, distribution and retail industry and led the establishment of an IBM EDI joint venture company in 1992 where he served as its General Manager. In 1994, he was appointed as Executive Director of QR Retail Automation (Asia) Sdn. Bhd. where he was responsible for growing the business with leading retailers in the Asia Pacific and UK. In 2003, Mr. See moved on to become QR Retail Automation's Managing Director, whereby he was instrumental in repositioning the company's retail solution for higher segment global retailers. He remained as Managing Director until 2013.

Mr. See graduated with a Bachelor of Science (Honours) in Mathematics from University of Malaya in 1978.



## VOON SENG CHUAN

Non-Executive Director
Member of Strategic Investment Committee

First appointment as a director: 1 July 2018
Last re-election as a director: 26 October 2018

Mr. Voon has been part of the IT Industry for over three decades. With 27 years of service at IBM, he has held multiple leadership roles to deliver all aspects of IBM products and services for clients in numerous industry segments in Asia Pacific region. From 2000 to 2006, Mr. Voon was the Managing Director for IBM Malaysia and Brunei. Under his leadership, IBM was at the forefront of bringing the vision of e-business, on demand business and innovation to the country. He also led IBM's investment to develop international shared services and outsourcing hub in seven regional centers/operations in Malaysia. In 2007, Mr. Voon embarked on 2 special organisation restructuring projects for IBM. He led the successful reorganisation of the existing ASEAN/South Asia regional headquarter into two independent regions of ASEAN and India/South Asia.

Mr. Voon served as Director for Mid-Market of IBM in the Asia Pacific region from 2007 to 2010 and was responsible for a US$2 billion business leading teams from ibm.com, business partners operations, marketing, product and services divisions to provide solutions to the Mid-Market segment. Marking his 25 years of service in IBM, he joined the IBM Quarter Century Club. Mr. Voon retired from IBM in March 2010. In 2013, Mr. Voon was recognised with the "Outsourcing Leader of the Year" award by Outsourcing Malaysia. He was also a Council Member of PIKOM (National ICT Association of Malaysia) in 1994/1995 and 1999/2000.

Currently, Mr. Voon sits on the Boards of public listed companies including AMMB Holdings Berhad and Mesiniaga Berhad. He is also an Independent Non-Executive Chairman of AmBank (M) Berhad and acts as Advisor to Jewel Paymentech Pte Ltd.

Mr. Voon holds a Bachelor of Science (Honours) degree in Mathematics from University of Malaya.

Mr. Voon will be resigning from his position as Director after the conclusion of the FY2019 Annual General Meeting, and he will consequently cease as member of the Strategic Investment Committee.

# MANAGEMENT TEAM



## LIM EP BAN
1

Chief Executive Officer, Silverlake Digitale
Chief Executive Officer, Silverlake One Paradigm

Mr. Lim is responsible for the overall strategy, operations, and performance of Silverlake Digitale and Silverlake One Paradigm. Both companies were acquired in April 2018. He has over 31 years of experience in information technology. Mr. Lim has managed and implemented more than 50 core banking, payments and provident fund projects including large-scale transformation programmes for banks and financial institutions in the region. Prior to joining Silverlake Private Entities in 1993, he spent 8 years working as a technical consultant for several firms in the United States. Mr. Lim holds a Master of Science Degree in Management Information Systems and a Bachelor of Science Degree (High Honors) in Business Administration from Southern Illinois University.

## TAN SOO CHENG
2

Senior EVP, Structured Services

Ms. Tan is responsible for the Silverlake Axis Integrated Banking Solution (SIBS) Application Maintenance and Enhancement business. Prior to assuming this role in 2016, Ms. Tan was a Director in the Silverlake Private Entities in charge of Program/ Project Management, Strategic Planning and Business Process Transformation. Her 31 years of financial services industry experience includes previous roles such as Senior Manager in Cap Gemini Ernst & Young, Malaysia and Manager in Commonwealth Bank, Australia. Ms. Tan holds a Bachelor of Science in Computing and Economics along with a Graduate Diploma in Information Technology from Monash University, Australia.

## WONG YOK KOON
3

Senior EVP, SIBS Core Solutions

As one of the Group's pioneer employees, Ms. Wong has been invaluable in driving the growth of the Group's core banking solutions portfolio. With over 30 years of experience, she is responsible for the core product development of Silverlake Axis Integrated Banking Solution (SIBS), particularly in cards and payments. She continues to work with customers in their digital economy transformation and assists their deployment at major local and regional financial institutions.

## FABIAN LUM WAI KIT
4

Senior EVP, Insurtech Services

Mr. Lum has 22 years of financial services experience that spans multiple areas including wealth management products, digital marketing, and core banking leadership roles. Since joining the Group in 2015, he has been responsible for driving digital financial services in insurance, banking and payments, and has initiated programs to grow the Group's Insurtech business. He also leads the business development of Silverlake Axis' Software-as-a-Service Insurance ecosystem platform, winning new markets in Asia through a portfolio of international insurance companies. Mr. Lum spent 18 years running multiple leadership roles in OCBC Bank Singapore, and started his career in marketing with Procter & Gamble. He has a Master of Business Administration and a Bachelor's degree in Economics and Mass Communication from the National University of Singapore.

## PRISCILLA TAN
5

Senior EVP, Finance and Administration

Ms. Tan was appointed to this role in October 2018 and is responsible for the Group's financial and administrative functions. She is also the Joint Company Secretary for the Group. Ms. Tan is a qualified accountant and a fellowship member of the Association of Chartered Certified Accountants (ACCA) and the Malaysian Institute of Accountants (MIA). She has 20 years of experience in auditing and financial management having trained in professional accounting firms such as Grant Thornton and PwC, and worked in a Malaysian regulatory body and commercial sectors. Before taking on this position, she was the Head of Finance for one of the Group's wholly-owned group of companies.

## JEAN AW PENG MEI
6

Senior EVP, Strategic Digital Value Program

Ms. Aw transitioned into this role on 1 July 2019 to drive the implementation of strategic programs that will expand the value of the Group's digital assets and capabilities. She was previously Senior EVP for Group Organisation, Strategy and Synergy. In her new role, Ms. Aw leads the strategic office to drive Fermion, a Digital Value Program to accelerate growth of the Group's Insurtech Ecosystem Platform business. During her 30 years of experience in financial technology, Ms. Aw has successfully turned strategic visions into actionable goals through the execution of large-scale programs for organisations. Prior to joining the Group in 2014, Ms. Aw was Vice President at OCBC Bank and previously Director at Ernst & Young Advisory Services. She holds a Bachelor of Applied Science in Computer Science from the Royal Melbourne Institute of Technology, Australia.



*From left to right*

## CHOO SOO CHING
7
Group Managing Director, Silverlake Digital Economy

Ms. Choo founded Silverlake Digital Economy (SDE) in 2011, which was acquired by the Group in April 2018, and is responsible for its overall strategy, architecture, operations and performance. A former banker, Ms. Choo has an extensive banking and technology background including a long career in Standard Chartered Bank (SCB) where she held a number of senior banking, development, programme management and technology service roles in Malaysia, and for the Group in Singapore, Hong Kong and the United Kingdom. Her last major role was as Global Head of Technology Services where she was responsible for delivering technology services to all 53 countries in the Group. She 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. Prior to founding SDE, she also ran a consultancy services business focusing on business transformation and programme management.

## TREVOR LOK THENG HEY
8
Senior EVP & Chief Executive Officer, Merimen Group

As one of the earliest employees of Merimen, Mr. Lok has played an instrumental role in its early success. His present responsibilities include overseeing the overall strategy and operations of Merimen's business. He dynamically led the development of Merimen's insurance policy solutions before he assumed his current role in 2006. He has over 17 years of experience in the insurance solutions and services industry. He holds the Highest Honors Degree in Physics and Mathematics from the University of Texas at Austin, USA. He was a Research Fellow at Princeton University, USA and a Physics Doctoral Candidate and Research Fellow at Caltech, USA.

## SHIEH YEE BING
9
Senior EVP, Cyber Village

At Cyber Village since 2000, Ms. Shieh focuses on large enterprise scale projects and the development of key banking accounts. She also leads product development with a special emphasis on portal and internet mobile financial self-service solutions while continuing to manage Cyber Village's day-to-day operations. Ms. Shieh's career spans 23 years, and she has experience in e-business projects across financial services, logistics, and education industries. She holds a Bachelor of Arts (Hons) from the National University of Singapore.

## YEW YEE MING
10
Senior EVP, QR Retail Automation

With 29 years of experience in the retail industry covering software development, implementation, retail industry application, consulting and more, Mr. Yew has contributed immensely to the Group since joining in 1995. He drove the implementation of the QR Retail Automation solution "PROFIT" across China, Taiwan, Singapore, Vietnam, Cambodia, Indonesia and Philippines. Mr. Yew is currently the senior executive in charge of projects and consulting, along with business development with large ASEAN retail groups. He began his career in retail as an analyst programmer at the Parkson Corporation, Malaysia with his qualification in Computer Studies.

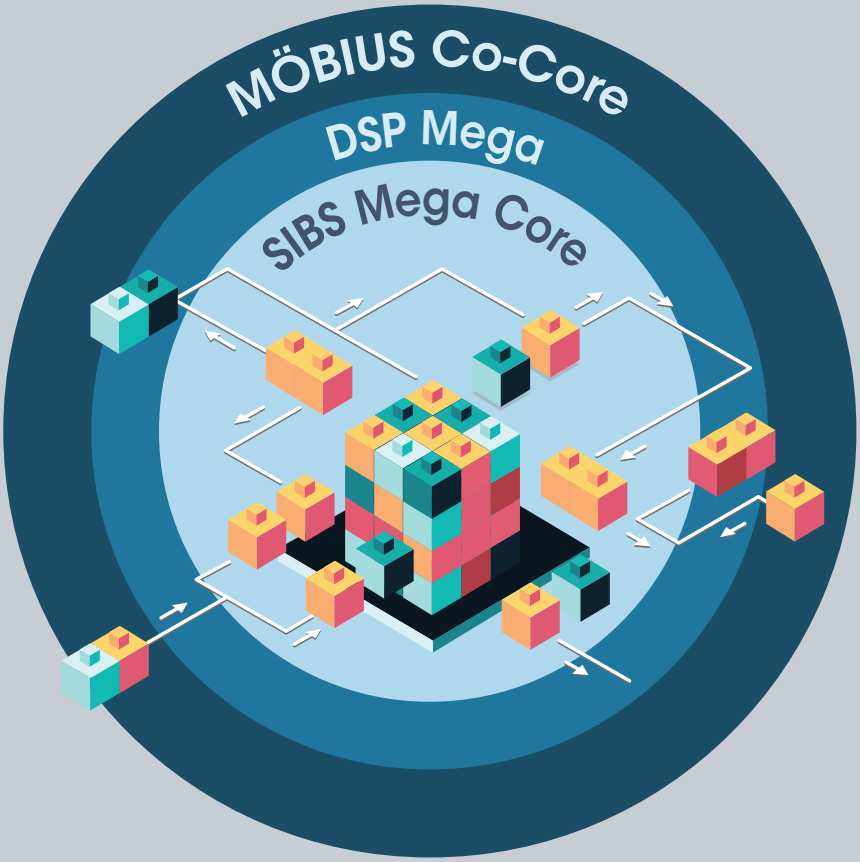
## TOK MENG GEOK
11
Senior EVP, Symmetric Payments & Integration

Ms. Tok is the key person in charge of the design and development of Symmetric Payments & Integration's solutions and roadmap. She is also responsible for project services operations to deliver new systems as well as to maintain and enhance the installed systems at customer sites. Her career of 30 years spans across banking technologies, system integration and solutions implementation at various regional and domestic banks. She graduated with a Bachelor of Science (Computer Science) degree from the National University of Singapore.

## JONAS DANIEL JOAKIM LIND
12
Chief Executive Officer, Silverlake Symmetri
Chief Executive Officer, X Infotech

Beginning his career in management consulting in Sweden, Mr. Lind has nearly 21 years of experience in technology of which 15 years have been spent in Asia. As the CEO of Silverlake Symmetri and X Infotech, Mr. Lind is responsible for the growth and business presence expansion in Asia, EMEA and Latin America. He leads both organisations in enabling financial institutions and governments to become Digital Leaders by focusing on bridging gaps between conventional operating models and the new digital world. Prior to joining the Group, Mr. Lind co-founded and acted as CEO for several technology companies, enabling him to have extensive involvement with governments and commercial organisations across 50 countries. Over the years, Mr. Lind has acquired deep knowledge and specialisation in emerging technologies such as digital identification and authentication while also spearheading technology-driven business strategies to promote organisational growth, market expansion and operation efficiency. Mr. Lind holds two Master of Science in Business Administration and Management, and Engineering/Industrial Management from Sweden's Luleå University of Technology.

# Silverlake Axis
# Straight Through Banking Platform




Silverlake Axis has pride itself in successfully delivering responsive digital customer experience with resilient, compliant and scalable core over the past 30 years. Providing resilient bank transaction processing and facilitating financial organisations in their digitisation journey is cornerstone to Silverlake Axis' mission.

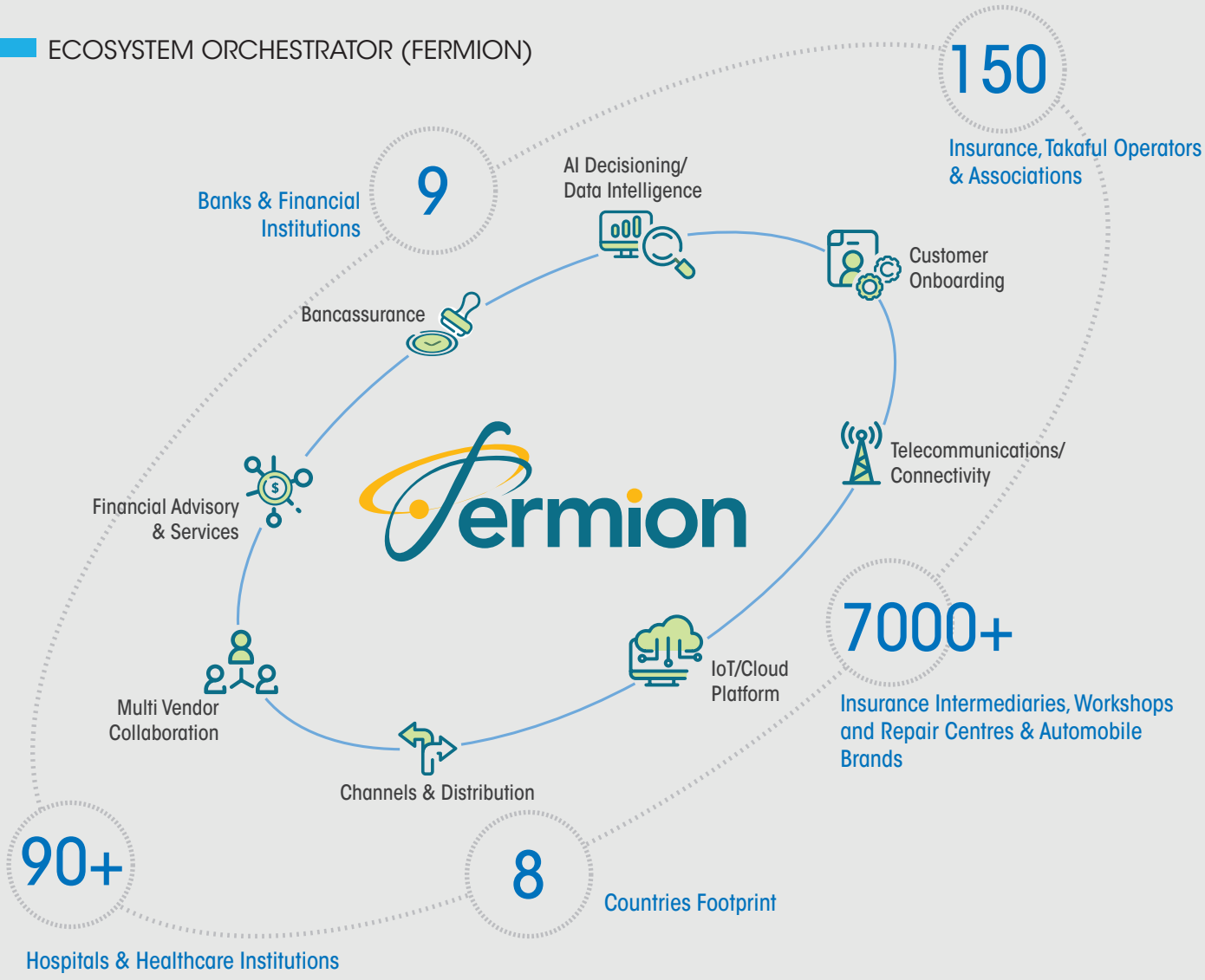
Ease of collaboration is achieved through the modular design of **Silverlake Axis' Straight Through Banking Platform**. Complex processes can now be efficiently streamlined across multiple processes, as well as among internal/external innovators and trusted partners.

The Straight Through Banking Platform is designed to help banks in their transformation for the Open Banking, gearing up for digital banking services or simply optimising their existing technology investment.

Three key components of the Straight Through Banking Platform are:

| MÖBIUS Co-Core | DSP Mega | SIBS Mega Core |
|---|---|---|
| Digital Banking and Open Banking functions, omni channel design with newly digitised STP service orchestration. | Integrated Application Manager enables Core and Co-Core address multi-dimensional digital economy complexities. | Proven, adaptive and comprehensive universal banking solution delivering future proofed architecture through industry-leading speed, scalable, reliable and secure Core Platform. |

## ECOSYSTEM ORCHESTRATOR (FERMION)




## ASEAN's 1st Insurtech Ecosystem Platform

Rapid and constant changes in the insurance landscape make it extremely important for businesses to adopt new technologies to stay competitive and relevant. Digitally-savvy customers expect more than ever before, and this new reality presents us with timely opportunities to rethink the new roles and values of insurance in the digital economy.

FERMION Insurtech Ecosystem Platform is envisioned to enable ecosystem participants to optimise and hyperscale their business using the platform's technologies and deep domain expertise. Launched in February 2019, FERMION is powered by Merimen Group and Cyber Village.

### Our Differentiators

- Deeply Entrenched in one of the fastest growing economies – ASEAN.
- An extensive insurance focused ecosystem of more than 7,000 insurance intermediaries, workshops, repair centres and automobile brands.
- Backed by the Silverlake Axis Group's unique strengths in financial technology and customer-partner collaboration.

## FINANCIAL HIGHLIGHTS

| ↑ 26% | ↑ 40% | ↑ 1128% | ↑ 93% | ↑ 83% |
|---|---|---|---|---|
| Revenue RM680.8 million | Gross Profit RM426.1 million | Other Income RM55.6 million | Profit Before Tax RM284.7 million | Net Profit RM245.6 million |

| Financial Year Ended 30 June | 2015 | 2016 | 2017[1] | 2018 | 2019 |
|---|---|---|---|---|---|
| **1. Financial Results (RM' million)** | | | | | |
| Revenue | 516.0 | 636.3 | 549.9 | 541.8 | **680.8** |
| Gross Profit | 337.1 | 383.9 | 307.5 | 304.9 | **426.1** |
| Other Income | 28.7 | 19.7 | 808.3 [2] | 4.5 | **55.6** [3] |
| EBITDA | 318.5 | 315.6 | 985.3 [2] | 167.0 | **332.5** [3] |
| Profit Before Tax | 306.8 | 300.2 | 968.2 [2] | 147.2 | **284.7** [3] |
| Net Profit | 282.7 | 273.9 | 863.7 [2] | 134.1 | **245.6** [3] |
| **2. Financial Positions (RM' million)** | | | | | |
| Share Capital | 157.5 | 191.0 | 191.0 | 191.0 | **191.0** |
| Shareholders' Fund | 639.3 | 602.5 | 1,192.3 | 523.1 | **592.3** |
| Total Assets | 779.0 | 833.4 | 1,497.9 | 1,007.3 | **1,182.4** |
| Total Liabilities | 139.6 | 230.8 | 305.6 | 484.1 | **590.0** |
| **3. Financial Ratio** | | | | | |
| Gross Profit Margin (%) | 65% | 60% | 56% | 56% | **63%** |
| Net Profit Margin (%) | 55% | 43% | 157% [2] | 25% | **36%** [3] |
| Return on Equity (%) | 44% | 45% | 72% [2] | 26% | **41%** [3] |
| Current Assets/Current Liabilities (Times) | 4.0 | 2.3 | 4.8 | 3.6 | **3.8** |
| **4. Per Share (RM sen)** | | | | | |
| Basic Earnings Per Share | 10.53 [5] | 10.30 | 32.65 [2] | 5.09 | **9.27** [3] |
| Diluted Earnings Per Share | 10.52 [4][5] | 10.30 | 32.62 [2][4] | 5.08 [4] | **9.27** [3] |
| Net Assets Per Share | 23.74 [5] | 22.71 | 45.05 | 19.70 | **22.39** |
| **5. Dividends** | | | | | |
| Dividends Per Share (SGD cents) | 4.20 | 3.00 | 4.50 | 3.00 | **1.80** |
| Dividend Payout (%) | 96% | 87% | 43% [2] | 175% [2] | **59%** |

[1] The acquisition of Silverlake Investment Ltd. and three of its subsidiaries comprising Silverlake Digital Economy Sdn. Bhd., Silverlake Digitale Sdn. Bhd. and Silverlake One Paradigm Sdn. Bhd. (collectively, the "SIL Group"), in April 2018 was an acquisition of companies under common control. In accordance with the pooling of interest method of consolidation, the Group's financial statements for FY2017 and FY2018 (for period from July 2017 to March 2018) were restated in FY2018 to include SIL Group's results, as if SIL Group had always been part of the Group. For the purpose of this Annual Report, the impact of the pooling of interest method of consolidation of SIL Group has not been reflected for FY2015 to FY2016. SIL Group's net profit for FY2015 to FY2016 were approximately 4% of Group's net profit for FY2015 to FY2016.

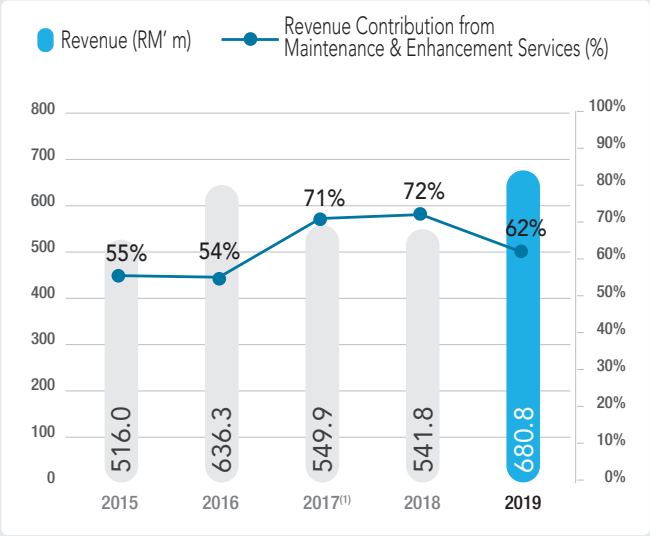
[2] In FY2017, the Group made a net gain of RM426.2 million on disposal of shares in an associate, Global InfoTech Co. Ltd. ("GIT"), mark-to-market accounting gain of RM259.1 million on re-measurement of retained interest in GIT, gain of RM18.8 million on dilution of interest arising from GIT's share capital changes and reversal of deferred tax liabilities of RM4.7 million on unremitted earnings of GIT. The gains were reflected in the Other Income and correspondingly in the earnings, net profit margin and return on equity ratios. In FY2018, the Group incurred a net loss of RM5.9 million from the sales of GIT shares. Excluding the effects of these non-operational gains and losses related to GIT, the Group's FY2018 adjusted net profit of RM140.0 million would have been 10% lower than FY2017 adjusted net profit of RM154.9 million.

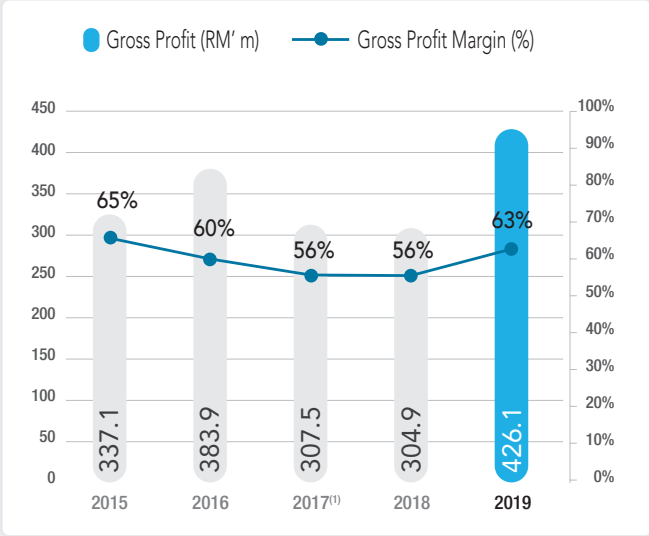
The Group declared five special dividends from the GIT share sale proceeds, totalling Singapore 2.3 cents and Singapore 1.8 cents per share for FY2017 and FY2018 respectively.

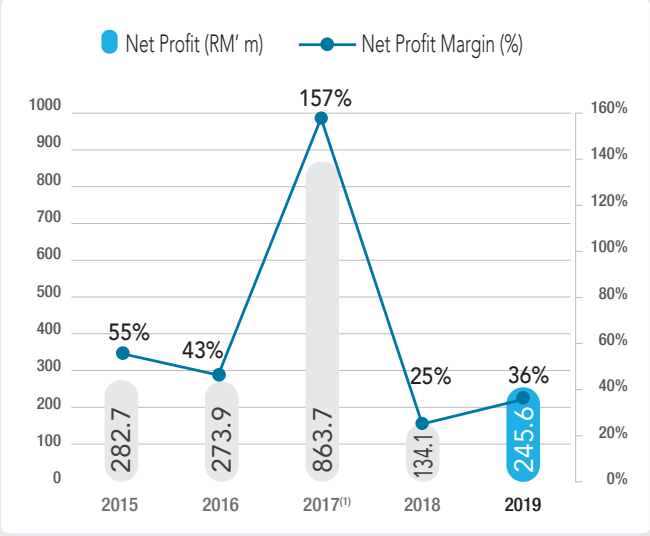
[3] In FY2019, the Group recorded RM14.8 million gain from fair value adjustment on earn-out consideration for the acquisition of SIL Group, a net gain of RM14.2 million from reversal of value-added tax ("VAT") accrued for the disposal of GIT shares in FY2017 and FY2018 (as Silver Team Technology Limited, a subsidiary of the Company, had obtained VAT exemption in FY2019 for the disposals), RM9.4 million gain from the recognition of a derivative asset for the call option on the remaining 20% equity interest in SIA X Infotech Group, and RM8.5 million net gain from the disposal of freehold land in FY2019. These non-operational gains were reflected in the Other Income and correspondingly in the earnings, net profit margin and return on equity ratios. Excluding the effects of these non-operational gains, the Group's adjusted net profit of RM198.7 million would have been 42% higher than FY2018 adjusted net profit of RM140.0 million.

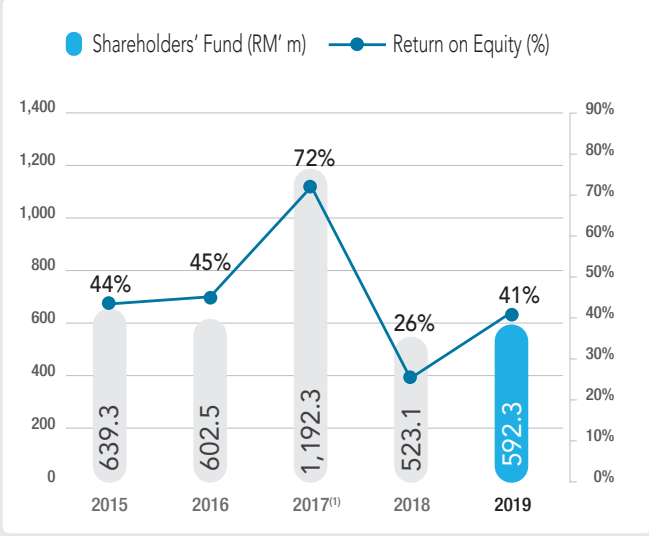
[4] Based on the weighted average number of ordinary shares on issue, after adjusting for dilution shares under Silverlake Axis Ltd. Performance Share Plan.

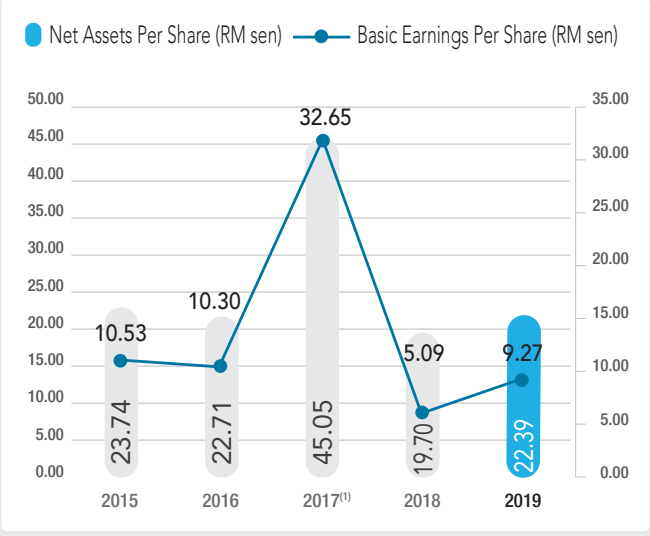
[5] Adjusted to account for the bonus shares issued on 8 July 2015 in accordance with IAS 33 Earnings Per Share.

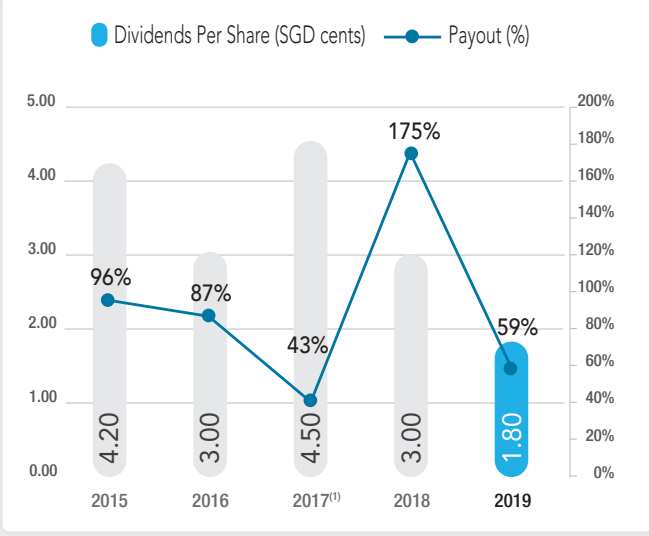

Revenue (RM' m)
Revenue Contribution from Maintenance & Enhancement Services (%)
800
700
600
500
400
300
200
100
0
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
55%
54%
71%
72%
62%
516.0
636.3
549.9
541.8
680.8
2015
2016
2017(1)
2018
2019


Gross Profit (RM' m)
Gross Profit Margin (%)
450
400
350
300
250
200
150
100
50
0
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
65%
60%
56%
56%
63%
337.1
383.9
307.5
304.9
426.1
2015
2016
2017(1)
2018
2019


Net Profit (RM' m)
Net Profit Margin (%)
1000
900
800
700
600
500
400
300
200
100
0
160%
140%
120%
100%
80%
60%
40%
20%
0%
55%
43%
157%
25%
36%
282.7
273.9
863.7
134.1
245.6
2015
2016
2017(1)
2018
2019


Shareholders' Fund (RM' m)
Return on Equity (%)
1,400
1,200
1,000
800
600
400
200
0
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
44%
45%
72%
26%
41%
639.3
602.5
1,192.3
523.1
592.3
2015
2016
2017(1)
2018
2019


Net Assets Per Share (RM sen)
Basic Earnings Per Share (RM sen)
50.00
45.00
40.00
35.00
30.00
25.00
20.00
15.00
10.00
5.00
0.00
35.00
30.00
25.00
20.00
15.00
10.00
5.00
0.00
10.53
10.30
32.65
5.09
9.27
23.74
22.71
45.05
19.70
22.39
2015
2016
2017(1)
2018
2019


Dividends Per Share (SGD cents)
Payout (%)
5.00
4.00
3.00
2.00
1.00
0.00
200%
180%
160%
140%
120%
100%
80%
60%
40%
20%
0%
96%
87%
43%
175%
59%
4.20
3.00
4.50
3.00
1.80
2015
2016
2017(1)
2018
2019

## OVERVIEW

In FY2019, group revenue increased 26% to RM680.8 million from RM541.8 million in FY2018. Other income increased to RM55.6 million, boosted by non-operational gains from four items. The Group's earnings before interest, taxes, depreciation, and amortisation was RM332.5 million in FY2019 as compared to RM167.0 million recorded in FY2018. The Group recorded a net profit after tax of RM245.6 million, 83% higher than the RM134.1 million achieved in FY2018.

## REVENUE

Group revenue increased by 26% from RM541.8 million in FY2018 to RM680.8 million in FY2019.

The project related revenue segment, comprising software licensing and software project services, recorded 122% growth to RM203.6 million in FY2019 from RM91.8 million in FY2018. The growth was driven by the implementation of core banking and retail based automation projects secured in Asia.

The recurrent revenue from maintenance and enhancement services improved 8% and this business segment remained the key revenue contributor, accounting for 62% of overall revenue.

Software-as-a-Service for insurance processing revenue which is also recurring in nature increased by 10% from RM30.3 million in FY2018 to RM33.4 million in FY2019 with more customers secured and higher level of business activities in FY2019.

Revenue from credit and cards processing declined 44% to RM11.0 million in FY2019 following the termination of an outsourcing contract during the year.

With SIA X Infotech Group's ("XIT Group") contribution to revenue from sale of software and hardware products in FY2019, the revenue from this segment rose to RM11.0 million and was 37% higher as compared to FY2018.

## GROSS PROFIT

Group gross profit of RM426.1 million in FY2019 was 40% higher than the RM304.9 million recorded in FY2018. The gross profit margin of 63% in FY2019 increased as compared with 56% in FY2018 due to improved margins from both the project related segment and maintenance and enhancement segment in FY2019.

## OTHER INCOME

Other income was RM55.6 million in FY2019 compared with RM4.5 million in FY2018.

FY2019 other income was mainly derived from four items:

- RM18.2 million gain from reversal of value-added tax ("VAT") accrued for the disposal of Global InfoTech Co. Ltd. ("GIT") shares in FY2017 and FY2018, as Silver Team Technology Limited, a subsidiary of the Company, had obtained VAT exemption in FY2019 for the disposals;
- RM14.8 million gain from fair value adjustment on the earn-out consideration for the acquisition of Silverlake Investment Ltd. Group ("SIL Group");
- RM9.4 million gain from the recognition of a derivative asset for the call option on the remaining 20% equity interest in XIT Group at fair value; and
- RM8.8 million pre-tax gain from the disposal of freehold land in FY2019.

## EXPENSES

Selling and distribution expenses of RM37.4 million in FY2019, which are recurring in nature, were 26% higher compared with RM29.8 million in FY2018. This was a result of more marketing, research and business development activities, in addition to the consolidation of XIT Group's expenses in FY2019.

Administrative expenses increased by 13% from RM118.2 million in FY2018 to RM134.0 million in FY2019 due to the recognition of one-off impairment loss of RM14.1 million on goodwill of a cash-generating unit ("CGU"), Payments and Integration Solution; additional headcount for business expansion as well as the consolidation of expenses from XIT Group. The increase was moderated by the strengthening of foreign currencies against Ringgit Malaysia ("RM") in FY2019 which led to realised and unrealised foreign currency exchange gain of RM2.1 million in FY2019 as compared with a loss of RM9.0 million in FY2018.

Significant increase in finance costs from RM1.3 million in FY2018 to RM27.0 million in FY2019 was mainly due to the quarterly fair value adjustment on the contingent consideration payable for the acquisition of SIL Group and XIT Group as required by International Financial Reporting Standards ("IFRS").

## SHARE OF RESULTS OF A JOINT VENTURE

The Group's share of loss in FY2019 was lower at RM1.7 million compared with RM15.9 million in FY2018, mainly due to the recognition of impairment loss by a joint venture entity, Silverlake HGH Limited, on the goodwill from its investment in Finzsoft Solutions Limited in FY2018.

## INCOME TAX

Income tax expense increased to RM39.2 million from RM13.1 million in FY2018 and the effective tax rate of 14% was 5% higher than the 9% reported in FY2018.

Higher tax expense in FY2019 was mainly due to higher taxable income from certain subsidiaries in addition to the expiry of pioneer status of a Malaysian subsidiary, and this increase was partially offset by the deferred tax assets recognised for unutilised tax losses by a subsidiary in FY2018.

## FINANCIAL POSITION

### ASSETS
Total assets increased by 17% to RM1,182.4 million as at 30 June 2019 from RM1,007.3 million the year before.

Intangible assets increased by 36% from RM206.7 million to RM281.5 million as at 30 June 2019. The provisional goodwill and other intangible assets arising from the acquisition of XIT Group, capitalisation of software development expenditure incurred for the development of enhanced core banking and Fintech solutions in FY2019, as well as higher foreign currency translation on intangibles attributable to the appreciation of United States Dollar and Singapore Dollar against RM in FY2019 as compared with FY2018 contributed to the increase in intangible assets. The increase was partially offset by the amortisation charged in FY2019 as well as the impairment of goodwill for a CGU, Payments and Integration Solution in FY2019.

Cash and bank balances increased to RM442.0 million from RM304.0 million in FY2018. This increase was mainly due to net cash inflow from operating activities of RM325.2 million and net proceeds from revolving credit of RM38.5 million and partially offset by dividend payments of RM152.4 million to shareholders, initial upfront purchase consideration of EUR12.6 million (equivalent to RM59.2 million) paid for the acquisition of 80% equity interest in XIT Group and share buyback in FY2019.

The Group maintained a healthy net cash position as of 30 June 2019.

### LIABILITIES
Total liabilities increased by 22% to RM590.0 million as at 30 June 2019 from RM484.1 million last year.

In FY2019, the Group recognised a RM12.6 million financial liability which represents the present value of the exercise price for the put option on the remaining 20% equity interest in XIT Group in accordance with IFRS, RM4.9 million contingent consideration payable in FY2021 for the 80% equity interest in XIT Group, as well as higher earn-out consideration payable for the acquisition of SIL Group taking into account the fair value adjustment in FY2019.

Following the drawdown of revolving credit for payment of an initial upfront purchase consideration for 80% equity interest in XIT Group and the utilisation of bank overdraft facility by a subsidiary for working capital purposes, loans and borrowings increased to RM74.4 million as at 30 June 2019 from RM28.3 million last year.

### EQUITY
Total equity increased by 13% to RM592.3 million as at 30 June 2019 from RM523.2 million last year as the Group achieved good growth of revenue and net profit in FY2019.

## SHARE CAPITAL AND EARNINGS PER SHARE ("EPS")

### SHARE CAPITAL
The number of issued shares remained at 2,696,472,800 shares as at 30 June 2019.

The number of treasury shares increased by 10,988,000 shares to 51,420,068 shares with the share buyback of 13,938,000 shares, partially offset by 2,800,000 treasury shares released pursuant to Silverlake Axis Ltd. Performance Share Plan ("PSP") as well as 150,000 treasury shares awarded and released to a former non-executive director.

### EPS
FY2019 basic and diluted EPS were the same at 9.27 sen as there is no outstanding PSP shares or other transactions involving ordinary shares or potential ordinary shares as at 30 June 2019. With an increase in FY2019 profit after tax, EPS achieved in FY2019 was 82% higher than the 5.09 sen achieved in FY2018.

## DIVIDEND

The Company maintained a dividend policy of paying out not less than 40% of the Group's net profit as dividends. Total dividends in FY2019 comprised interim dividends declared of Singapore 1.1 cents per share and the proposed final dividend of Singapore 0.7 cents per share. Total dividends represent 59% of the Group's net profit in FY2019 and dividend yield is approximately 4%.

The proposed final dividend is subject to shareholders' approval at the forthcoming Annual General Meeting.

## CASH FLOW

### CASH FROM OPERATING ACTIVITIES
Net cash from operating activities of RM325.2 million in FY2019 was significantly higher compared with RM144.9 million in FY2018 due to the revenue and profit growth in FY2019.

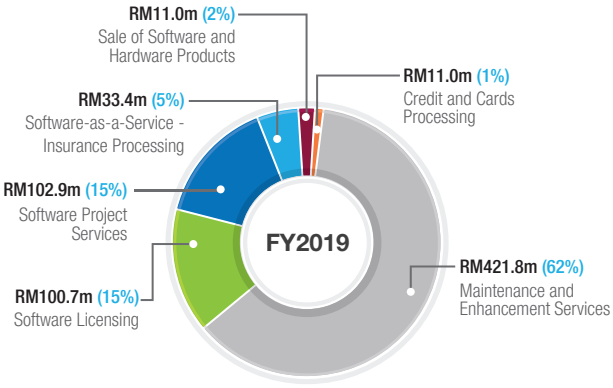
### CASH (USED IN)/FROM INVESTING ACTIVITIES
Net cash used in investing activities in FY2019 was RM86.5 million whereas net cash generated from investing activities in FY2018 was RM291.7 million.

Higher cash was used in FY2019 mainly due to the net cash outflow of RM52.6 million for the acquisition of 80% equity interest in XIT Group, whereas in FY2018 the Group recorded a net uplift of RM284.7 million of short-term deposits placed with licensed banks and received RM29.7 million in net proceeds from the sales of GIT shares.

### CASH USED IN FINANCING ACTIVITIES
Net cash used in financing activities at RM133.2 million was significantly lower in FY2019 compared with RM564.1 million last year.

The decrease was due to lower cash used in share buyback in FY2019 as compared with FY2018 and higher dividends paid to shareholders in FY2018 in the form of special dividends from the net gain on sales of GIT shares in previous financial years.

## REVENUE BY SEGMENT




| | FY2019 | FY2018 |
|---|---|---|
| Maintenance and Enhancement Services | RM421.8m (62%) | RM392.0m (72%) |
| Software Licensing | RM100.7m (15%) | RM40.0m (7%) |
| Software Project Services | RM102.9m (15%) | RM51.8m (10%) |
| Software-as-a-Service - Insurance Processing | RM33.4m (5%) | RM30.3m (6%) |
| Sale of Software and Hardware Products | RM11.0m (2%) | RM8.0m (1%) |
| Credit and Cards Processing | RM11.0m (1%) | RM19.6m (4%) |

## BANKING AND RETAIL SEGMENTS

### Industry Trend in FY2019

Enhancements to technology and digital infrastructure in FY2019 continued to gather pace and all available metrics indicate that financial institutions are accelerating their transformation to compete in the fast-evolving digital landscape. The broad industry themes of machine learning, Artificial Intelligence and analytics continue to be relevant as many legacy institutions are catching up to the blossoming fintech space. Competition from challenger banks and digital banks also ensure a fresh perspective on front-end appliances and innovative applications to remain relevant to customer engagement and retention. Regulatory and compliance activities also continue to be a key driver of IT spending as Basel III final form comes into effect.

### SOFTWARE LICENSING

The Group is a leading and premier digital economy solutions provider to the financial services, retail and logistics industries. The Group's main products include Silverlake Axis Integrated Banking Solution (SIBS), Silverlake Axis Integrated Islamic Banking Solution (SIIBS), Silverlake Axis Provident Fund System (SIPFS), Silverlake Axis Card System (SCS), Silverlake Digital Banking MÖBIUS Open Banking Platform (SDE), IntelliSuite (SDS), NowSuite (SOP), Silverlake Axis Retail Merchandising System (PROFIT), Silverlake Axis Enterprise Payment Platform, Cyber Village Converged Internet and Mobile Platform and Silverlake Symmetri Retail Banking Solutions. In FY2019, the Group acquired X Infotech digital identity and security software solution via the acquisition of SIA X Infotech Group ("XIT Group").

#### Performance

Software licensing contributed 15% to the Group's overall revenue and is a core business for the Group. In FY2019, the Group recorded a 152% increase in revenue from this segment to RM100.7 million compared with RM40.0 million in FY2018. Two new large contracts secured in the Malaysian market contributed to the growth of this segment with some carried over recognition from contract wins in Thailand in FY2018.

#### Outlook

License fee is highly dependent on the securing of new contracts from existing and new customers and the Group is at various stages of pursuing contracts in Thailand, Indonesia, Sri Lanka and Malaysia. The completion of elections in both Thailand and Indonesia in FY2018 augurs well for our business and there is strong momentum for banking consolidation in both of these countries. Overall, the Group is cautiously optimistic while acknowledging the slower growth in many countries in Asia as a result of the ongoing trade dispute between the United States and China.

## SOFTWARE PROJECT SERVICES

The software project services business is related to the provision of software customisation and implementation services to deliver the core banking, digital banking, payment and retail solutions to our customers to ensure the full functionality of our software.

### Performance

The securing and mobilisation of the two large core banking replacements for the two Malaysian banks contributed to the 99% increase in project services revenue from RM51.8 million in FY2018 to RM102.9 million in FY2019. Overall project services accounted for 15% of the overall group revenue. Additionally, two new Hong Kong and Malaysia retail based projects secured in FY2019 and ongoing implementation contracts in Malaysia, Indonesia, Thailand and Singapore also contributed positively. The completion of the acquisition of XIT Group in second half of FY2019 and its consolidation also contributed to this segment.

### Outlook

Both project services and licensing are highly correlated and the Group is well positioned to capitalise on developments in ASEAN relating to banking consolidations and the introduction of digital banks. Both Malaysia and Singapore are working on policy documents with digital bank licence issuances in FY2020 and the Group is actively engaged in discussions with some interested parties.

## MAINTENANCE AND ENHANCEMENT SERVICES

The maintenance and enhancement businesses provide our customers with round-the-clock software support services as well as enhancement services to support our customers in the delivery and execution of their strategies in making available new capabilities to their customers. These capabilities can be in the areas of new channels, to augment customer experience and to address any new regulatory and emerging governance, risk and compliance requirements.

### Performance

Revenue from maintenance and enhancement services increased by 8% from RM392.0 million in FY2018 to RM421.8 million in FY2019. This segment accounts for 62% of group overall revenue. A few new enhancement contracts were secured in FY2019 in response to requests for support and digital transformation activities for banks in Singapore. New and additional maintenance contracts have also been secured in Malaysia, Brunei and Sri Lanka during the financial year. In addition, revenue is being progressively recognised for ongoing contracts in Malaysia and Indonesia.

### Outlook

This segment is highly correlated to the installed base of our software and the duration of maintenance contracts are typically for a period of up to five years and are recurring in nature. The Group's installed base continues to grow with the completion of the Thai contracts and the securing of the two large Malaysian contracts in FY2018. Furthermore, with the challenge posed by digital banks and new fintech players entering the market, our existing customers are responding by deploying new customised digital solutions quickly and for such deployments, they require our enhancement expertise. With our strong partnerships with ASEAN's leading banking institutions, the Group is optimistic of increasing its market share.

## SALE OF SOFTWARE AND HARDWARE PRODUCTS

The software and hardware solutions offered by the Group refer to our non-proprietary software where we act as resellers to our customers who require bundled one-stop solutions. The Group is an authorised reseller of IBM hardware products and system software in Malaysia.

### Performance

Sales in this segment increased by 37% from RM8.0 million in FY2018 to RM11.0 million in FY2019, with this segment accounting for only 2% of the Group's revenue. The stronger performance was mainly due to the consolidation of XIT Group in FY2019.

### Outlook

This business only forms a small part of the Group's activities and it is relatively low margin as compared to the gross margins for our software and services businesses. However, as our customers continue to invest in IT infrastructure and new capabilities over the next 12 months, the Group anticipates that this segment will achieve moderate growth. We continue to seek new opportunities through closer collaborations with established and new business partners.



## CREDIT AND CARDS PROCESSING

The credit and cards processing business, undertaken by Silverlake Japan, focuses on providing full scale processing of a wide range of credit cards and other credit products on an outsourcing basis. This service is offered to Japanese card issuers in Japan and banks providing remote service for Japanese card issuers in Asia.

### Industry Trend in FY2019

Domestic consumption in Japan has grown an average of 0.5 per cent annually and a scheduled increase in the national sales tax in 2019 could further dampen customer spending. Together with Japan's high cash usage, these indirectly impact the credit and cards processing business.

### Performance & Outlook

Silverlake Japan's main customer terminated its card services business for its customers. As a result of this business closure, Silverlake Japan worked with its customer to wind down its card processing services and stopped all services at the end of October 2018.

In March 2019, another Japanese customer of Silverlake Japan had issued a termination notice for its Vietnam business due to a new regulatory requirement which required systems and servers to reside within Vietnam. Silverlake Japan is currently working with this customer to wind down the Vietnam loan processing services and this is targeted to complete by middle of 2020.

In terms of performance, FY2019 credit and cards processing revenue was 44% lower at RM11.0 million compared with RM19.6 million last year and this was mainly due to the termination of its primary customer. In order to manage costs as a result of the contract termination, Silverlake Japan is in the midst of a restructuring exercise to downsize its operations.



## SOFTWARE-AS-A-SERVICE - INSURANCE PROCESSING

The insurance processing business, undertaken by Merimen Group, focuses on providing cloud computing Software-as-a-Service collaborative platform for policy administration, claim processing and data analytics for the insurance industry, connecting the stakeholders in the insurance ecosystem - insurers, repairers, loss adjusters, parts suppliers, agents, brokers, direct corporate clients and others, to ensure faster processing, improved efficiency and easier performance evaluation.

### Industry Trend in FY2019

Data protection, cybersecurity and governance continue to be important regulatory concerns in the markets where Merimen operate in. This year, the Vietnamese regulation confirmed the requirement for user data for Vietnamese business to be stored in Vietnam. These increased technology risk management requirements presented Merimen with an advantage due to its long-established experience in managing cloud-based software delivery. Across Asia Pacific, insurance companies are increasing their use of productivity tools backed by mobile technologies and enhanced straight-through automation in the face of high demand from their end-customers and cost pressures. Merimen continues to see increasing demand for its proven eClaim and ePolicy collaboration platforms, and its TrueSight suite of productivity and analytics solutions.

### Performance

In FY2019, insurance processing revenue grew 10% from RM30.3 million to RM33.4 million with contributions coming from the expansion of its insurance ecosystem platform business in the Philippines, Vietnam, Thailand, Hong Kong and Indonesia, and new offerings from its analytics Software-as-a-Service suite, TrueSight.

### Outlook

The Group is cautiously optimistic about the outlook for the insurance processing business. Merimen is establishing a new office in Tokyo to serve a major international insurance company in Japan, and to further build on its relationship with insurance companies with Japanese operations. Growth will also be driven by countries where Merimen expanded into in the past few years with improvement in system usage and ecosystem expansion. Merimen TrueSight is expected to contribute positively in the coming year as more insurers come on-board to adopt the new analytics and video technologies.

# SUSTAINABILITY REPORT 2019

## About this Report

### Reporting period

Our sustainability report is published annually and covers our sustainability performance and efforts throughout the period from 1 July 2018 to 30 June 2019. The reporting period aligns with the Group's financial year. Our last sustainability report was published on 10 October 2018. This report serves as a platform for the Group to communicate our economic, environmental and social performance and progress to our stakeholders.

### Reporting scope and boundaries

Our sustainability related disclosures cover Silverlake Axis and its subsidiaries (the "Group"), for which the Group has direct managerial control. This coverage corresponds to our Group Structure on page 7 of the Annual Report. The specific reporting boundaries for each material sustainability matters are detailed on page 30 of this Statement. All references in this report to "Silverlake Axis", "the Group", and "we" refer to the aforementioned entities.

### Reporting methodology

This report has been prepared in accordance with the Global Reporting Initiative ("GRI") Standards – Core option and the Singapore Exchange's Practice Note 7.6 Sustainability Reporting Guide. We have not sought external assurance for this report.

We have followed the GRI principles to define the report content using the principles of stakeholder inclusiveness, sustainability context, materiality and completeness. We also applied the GRI principles of accuracy, balance, clarity, comparability, reliability and timeliness to maintain our report quality.

Going forward, we will enhance our sustainability reporting progressively through continuous improvement in data monitoring and analysis of sustainability performance. We appreciate and welcome your feedback on our sustainability report as it enables continual improvement of our sustainability management and reporting journey. Please send your comments and suggestions to investor.relations@silverlakeaxis.com.

## Sustainability at the Group

At Silverlake Axis, we are committed to operating a sustainable business by balancing our financial goals with our need to be socially and environmentally sustainable. As the digital landscape continues to evolve, on-going integration of sustainability into our business operations is key to ensure resilience against the rapid disruption of megatrends.

Our Group's sustainability agenda is managed through three pillars: Our Business, Our People and Our Stewardship, and will serve as a guide to navigate our sustainability direction and progress over the years.



**Our Business**
Delivering value via our business by reinforcing ethical business governance, innovation and a forward-looking culture.



**Our People**
Nurturing an employee-centric culture by emphasising the well-being and development of our employees.



**Our Stewardship**
Our commitment towards minimising our environmental impact at all business premises.

*Diagram 1: Silverlake Axis' Sustainability Pillar*

### Our Sustainability Policy

Silverlake Axis' Sustainability Policy outlines its commitment towards contributing to a sustainable operating environment, which is aligned with the Group's Standards of Business Conduct and business strategy. We strive to meet our customer expectations and encourage our business partners to adopt sustainable business practices.

Our 8 guiding principles are:

1. To comply with, and exceed where practicable, all applicable legislation, regulations and codes of practice;
2. To integrate sustainability considerations into all our business decisions;
3. To provide a healthy, safe, conducive and empowering equal opportunity workplace;
4. To conserve natural resources by optimising re-use and recycling wherever possible;
5. To utilise operational processes that do not adversely impact the environment;
6. To work with our stakeholders to enhance awareness, and incorporate, practice and promote sound environmental practices, using our resources to provide leadership, guidance and motivation, where necessary;
7. To continually develop and provide environmentally supportive performance and advances including embedding sustainability into our decision-making, planning and investment processes to provide sustainable value increase to our shareholders; and
8. To review, annually report and continually strive to improve our sustainability performance.

## Sustainability Governance

In line with our mission to be the leading fintech company, highly valued by our customers and partners, we believe that a robust sustainability governance structure is key to facilitate the delivery of long-term value to stakeholders.

Our Board of Directors sets the tone from the top by advocating progressive integration of sustainability into corporate and strategic decisions, while our Audit and Risk Committee oversees the sustainability initiatives in respect of internal controls and compliance. These initiatives are then driven by the Group Managing Director. The Sustainability Committee implements and monitors our sustainability efforts with close support from our key corporate and business functions.

The Group's sustainability governance is supported by sound policies, processes and business practices to drive our sustainability agenda, details of which are further explained throughout this sustainability report.

Our sustainability governance structure is illustrated in Diagram 2.



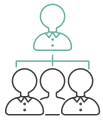
### Board of Directors

- Ultimately responsible for sustainability direction of the Group
- Ensures progressive integration of sustainability in business strategies
- Approves and reviews sustainability-related business strategies and performance



### Audit and Risk Committee

- Provides oversight of the sustainability agenda, system of internal controls, risk management and compliance to laws and regulations



### Group Managing Director

- Approves policies, targets and market disclosures
- Steers and oversees the implementation of sustainability-related business strategies and recommends revisions to the Board
- Evaluates overall risks and opportunities



### Sustainability Committee

- Develops sustainability-related business strategies
- Oversees and steers business functions in ensuring robustness of system of sustainability management
- Reports on performance of targets and sustainability processes and controls



### Corporate and Business Functions

- Supports and implements the sustainability-related business strategies
- Reports on management targets and develops plans and timeline for disclosure

*Diagram 2: Sustainability Governance Structure*

## Ethical Business Conduct

At Silverlake Axis, we believe that the methods we employ to attain results are as important as the results themselves. Outlined in the Group's Standards of Business Conduct (the "Business Conduct Standard"), we aspire to achieve the highest standards of integrity. The resourcefulness, professionalism, and dedication of those directors, officers, and employees make the Group competitive in the short term and well positioned for ongoing success in the long term.

The Group's directors, officers and employees are expected to observe the policies outlined in the Business Conduct Standard in the daily conduct of the business. Setting the tone from the top, the Board of Directors adopts and oversees the administration of the Business Conduct Standard.

The Business Conduct Standard covers matters ranging from business ethics, conflicts of interests, fair dealing, anti-corruption to fraud. The Group also affirms a principle of equal opportunity. Additionally, workplace harassment, discrimination of any kind or any other unscrupulous behaviour that could create a hostile working environment will be subject to disciplinary action.

Details of the Business Conduct Standard can be found in the Employee Handbook. The Employee Handbook is accessible by all employees. All new employees are provided with a copy of the Standard during their induction. Every year, employees are required to revisit and acknowledge the Business Conduct Standard to ensure employees understand their responsibility to uphold ethical business conduct.

### (i) Anti-corruption and anti-bribery

We have a zero-tolerance policy towards unscrupulous conduct which includes fraudulent dealings and bribery. All directors, officers, employees, and third parties acting on Silverlake Axis' behalf are prohibited from offering or paying, directly or indirectly, any bribe to any employee, official, or agent of any government, commercial entity, or individual in connection with the business or activities of the Group.

In instances where directors, officers, employees, and third parties acting on behalf of the Group provides or receives third party gifts and entertainment in their corporate capacities, they are expected to exercise good judgement in each case. All gifts and entertainment must not be intended to create an improper advantage for the Group. All expenditures for gifts and entertainment provided by the Group must be accurately recorded in the books and records of the Group.

In FY2019, there were zero confirmed incidents of corruption involving our employees within the Group.

### (ii) Whistle-blowing Policy

In line with our commitment to uphold the highest standards of integrity, compliance and transparency, the Whistle-blowing Policy aims to provide an avenue for employees and external parties to raise concerns in good faith without fear of reprisal. Employees are expected to promptly report any suspected violations of the law, the Group's policies, and the Group's internal controls. These reports are investigated by Management and appropriate corrective action is taken. Identities of the complainant are protected, subject to the discretion regarding anonymity and confidentiality. The immediate reporting channel available to employees is their immediate supervisor, through email or writing. In addition, the whistle-blower could direct the report to designated officer or Audit and Risk Committee Chairman through email. All disclosures and findings will be recorded in a register and reported to the Audit and Risk Committee quarterly or on a more frequent basis if deemed necessary. With continuous development of risks and regulations, the Audit and Risk Committee regularly review and update the Standards and Whistle-blowing Policy.

In FY2019, there were no complaints received via this channel.

## Stakeholder Engagement

We value the insights of our stakeholders and proactively engage with them through both formal and informal channels. Regular engagements with our key stakeholders provide us with the agility to respond to their different expectations, meet their changing priorities and strengthen our relationship with them.

Our key stakeholders range from customers, employees, suppliers, Board of Directors to shareholders and regulators. The summary of our stakeholders engagement throughout FY2019 is detailed in Table 1:

| Stakeholder Groups | Engagement Platforms | Frequency | Areas of concern | Our response |
|---|---|---|---|---|
| Customers  | • Roadshows activities and events<br>• Technology updates<br>• Roundtable discussions<br>• Account Service Managers | Throughout the year | • Technology updates<br>• System compatibility<br>• Compliance | Efficient customer support and help desk |
| Employees  | • Intranet portal<br>• Email communications<br>• Annual performance appraisal<br>• Townhalls<br>• Internal meetings | Throughout the year | • Career development<br>• Benefits and compensation<br>• Equality<br>• 2-way communication | Performance appraisal and feedback, job related trainings and development, employment benefits |
| Shareholders  | • Annual General Meeting | Annually | • Economic returns | Return on investment and dividend distribution |
| Suppliers  | • Email communications<br>• Meetings and briefings | Throughout the year | • Ethical procurement practices | Clear procurement policies and practices |
| Board of Directors  | • Email communications<br>• Board meetings | Quarterly and annually | • Regulatory compliance<br>• Economic performance<br>• Corporate governance and risk reviews | Oversight of the management and governance of the Group |
| Regulators  | • Email communications<br>• Meetings | Quarterly and as needed | • Regulatory compliance<br>• Corporate governance | Compliance to regulations and good corporate governance |

*Table 1: Stakeholders Engagement*

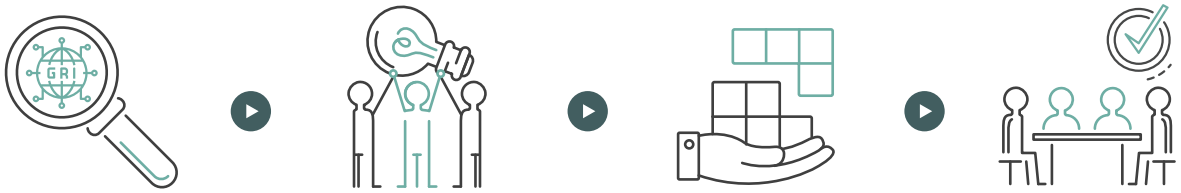
## Materiality Assessment

A materiality assessment is key to help Silverlake Axis in understanding and focusing our resources to address and manage the material sustainability matters.

In previous financial year, a comprehensive assessment process was undertaken to identify and prioritise sustainability matters that are material to Silverlake Axis. The materiality assessment workshop was attended by the Group's heads of key business functions and management personnel to provide their inputs from 2 dimensions: significance of the economic, social and environmental impact to the Group and importance to our stakeholders.

Our stakeholders engagement sessions throughout FY2019 has provided us with valuable insights for the annual review of our materiality matrix. In addition, we have verified the relevance of the materiality matrix with Senior Management of our newly acquired subsidiaries in previous financial year, which are Silverlake Digital Economy Sdn. Bhd., Silverlake Digitale Sdn. Bhd., and Silverlake One Paradigm Sdn. Bhd. As such, we have concluded that the matters reported previously remain as our priorities.

The materiality assessment process is summarised in Diagram 3 below:




**Identification**

List of potential material topics (economic, social and environmental) were identified based on the GRI Standards, media review and other internal and external sources. Leveraging upon this list, a customised questionnaire was circulated to internal stakeholders that are relevant to Silverlake Axis.

**Prioritisation**

The material topics that were shortlisted were then prioritised through an anonymous voting session during a materiality workshop. The output of the workshop was a materiality matrix.

**Review**

The materiality matrix generated with seven priority topics that are reported in FY2018 were reviewed in FY2019 with the newly acquired subsidiaries, and were concluded as relevant.

**Validation**

The materiality matrix generated was presented to the Board of Directors for validation. 7 high priority topics were selected for reporting in FY2019.

*Diagram 3: Materiality Assessment Process*

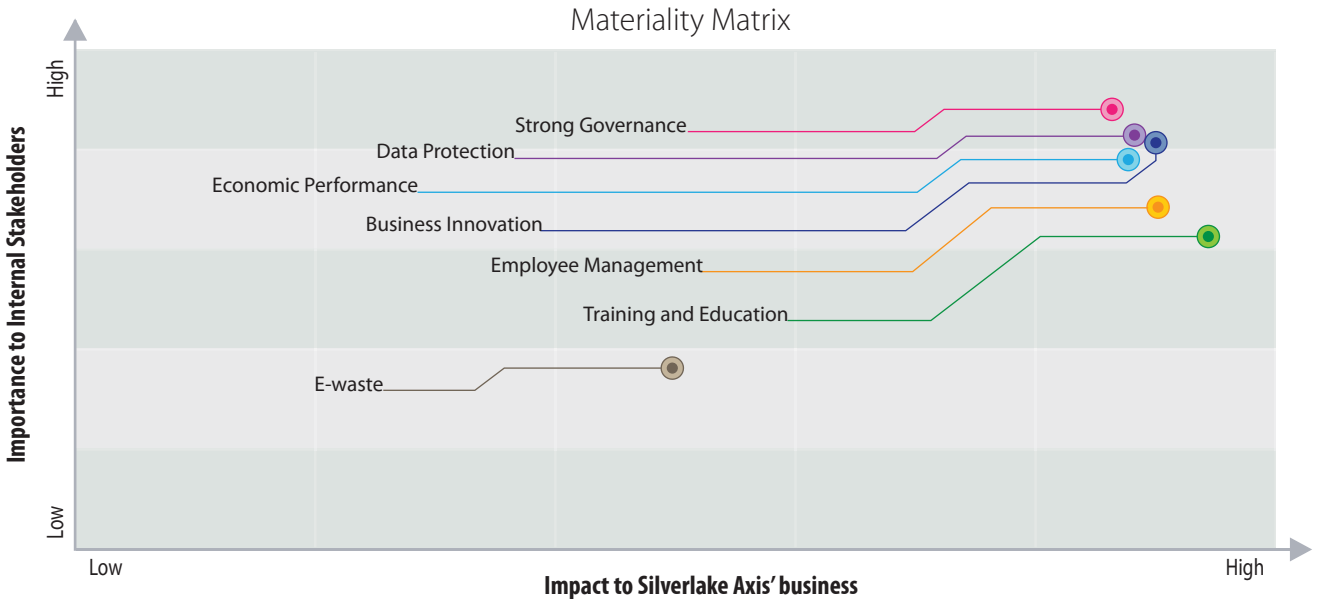



*Diagram 4: Silverlake Axis' Materiality Matrix*

## Material Sustainability Topics and Its Boundaries

| Material Topics | GRI Content Index GRI Standards 2016 | Where the impact occurs | Silverlake Axis' involvement | Organisational Boundaries |
|---|---|---|---|---|
| **Our Business** | | | | |
| Economic Performance | GRI 201: Economic performance | & | — | All |
| Strong Governance | GRI 102-18: Governance structure | & | — | All |
| Data Protection | GRI 418: Customer privacy | & | — | All |
| Business Innovation | - | & | — | All |
| **Our People** | | | | |
| Employee Management | GRI 401: Employment | | — | * Excludes Silverlake Japan Ltd. and Finzsoft Solutions Limited<br># Excludes SIA X Infotech Group |
| Training and Education | GRI 404: Training and education | | — | * Excludes Silverlake Japan Ltd. and Finzsoft Solutions Limited<br># Excludes SIA X Infotech Group |
| **Our Stewardship** | | | | |
| E-waste | GRI 306: Effluents and waste | & | — | * Excludes Silverlake Japan Ltd. and Finzsoft Solutions Limited<br># Excludes SIA X Infotech Group |

Legend: Within SAL | Outside SAL | — Direct

*Table 2: Boundaries of the Material Topics*

Note:

* Silverlake Japan Ltd. was excluded for this reporting period as it accounts for only 1% of our revenue contribution whereas Finzsoft Solutions Limited was excluded as it is only an associated company and is accounted for using equity method in the consolidated financial statements.

# SIA X Infotech Group was excluded for this reporting period as it was newly acquired on 25 January 2019.

Silverlake Axis' Supply Chain and Value Chain Sustainability

| Business Line | Product Research | Product Management | Product Development and Testing | Software Packaging and Deployment | Sales and Marketing | Product Support and Maintenance | Implementation and Customisation |
|---|---|---|---|---|---|---|---|
| Software Licensing | Discovery Validation Conceptualisation and prototyping | Planned releases and periodic customer feedback | Waterfall and agile development Iterative and integrated testing | Packaged as installable modules and installed by product | Silverlake Axis business development and third-party resellers/partners | Software performance Versioning Code conflicts | |
| Software Project Services | | | | | | | Project management and software development lifecycle execution |
| Maintenance and Enhancement Services | | | | | | Level 1, 2 and 3 production support streams. Planned enhancements per customers' release schedule | |
| Sale of Software and Hardware Products | | | | | Requested by customers requiring third party hardware and system software to run the Silverlake Axis software solutions | | |
| Credit and Cards Processing | Outsource services for credit and cards processing | | | | Silverlake Axis business development and third-party resellers/partners | Outsource services for credit and cards processing | |
| Software-as-a-Service - Insurance Processing | Discovery Validation Conceptualisation and prototyping | Frequent releases and collaborative innovation with ecosystem | Agile development and continuous integration | Hosted as solutions on cloud with automatic provisioning in real time | | Support through user guides, Frequently Asked Questions, email and phone line customer services Maintenance delivered through planned schedule | Delivered via Software-as-a-Service (SaaS) product with limited customisation |

*Table 3: Supply Chain Sustainability*

## Economic Performance

Silverlake Axis provides customised software solutions and services for the Banking, Insurance, Retail, Government, Payment and Logistics industries. Together with our subsidiaries - details of which can be found on pages 154 to 158 of the Annual Report, the Group has more than 380 enterprise customers in over 80 countries across Asia, Europe, Middle East, Africa, Americas, Australia and New Zealand. Today, Silverlake Axis is the core system platform partner of choice for 3 of the 5 largest ASEAN super-regional financial institutions.

We strive to connect people with our technological solutions to create value and deliver sustainable economic performance to our stakeholders. As we continue to financially grow and excel, we generate economic value to be distributed to our various stakeholders.

Silverlake Axis' economic contribution to our various stakeholders is summarised in Table 4 below:

| In RM' million | FY2019 | FY2018 | FY2017 |
|---|---|---|---|
| **Economic value generated** | 737.9 | 533.3 | 1,354.7 |
| Revenue | 680.8 | 541.8 | 549.9 |
| Other income | 55.6 | 4.5 | 808.3 |
| Finance income | 3.2 | 2.9 | 4.2 |
| Share of loss of a joint venture and associates | (1.7) | (15.9) | (7.7) |
| **Economic value distributed** | 644.3 | 646.3 | 828.8 |
| Operating costs* | 153.3 | 154.6 | 157.1 |
| Employee wages and benefits | 273.7 | 228.2 | 223.3 |
| Payments to providers of capital* | 172.1 | 236.6 | 373.1 |
| Payments to government | 45.2 | 26.9 | 75.3 |
| **Economic value retained** | 93.6 | (113.0) | 525.9 |

*Table 4: Direct Economic Value Generated and Distributed*

* *The finance cost has been reclassified from operating costs to providers of capital for consistency in year-on-year comparison*

For further details of Silverlake Axis' 2019 and 2018 financial results, please refer to the following sections in our Annual Report 2019:

- Financial highlights *(Page 18 to page 19)*
- Financial performance review *(Page 20 to page 21)*
- Operations review *(Page 22 to page 24)*
- Financial statements *(Page 75 to page 223)*

## Strong Governance and Data Protection

A robust and effective governance is critical in delivering our strategy and sustaining our business. Strong governance is vital to promote the long-term interests of our stakeholders and foster a culture of transparency, responsible decision-making and accountability.

We promote ethical values in our daily business conduct, as guided by the Business Conduct Standard, and Whistle-blowing Policy. Our internal processes and procedures have been instituted and are reviewed and enhanced on a periodic basis to ensure effective corporate governance.

Security and data privacy continue to be a material focus of our stakeholders. Data protection is a fundamental aspect of our product offering as we process large volume of data. As the variety, volume and velocity of data grows, we ensure compliance with the Personal Data Protection Act 2010 ("PDPA"), while managing the risks of handling such data.

As an extension of our commitment to take customers' privacy seriously, we developed a Privacy Policy which guides the management and protection of personal data at Silverlake Axis. Our PDPA Officer ensures compliance to the PDPA and our Privacy Policy. All employees are expected to comply with the PDPA and apply the Privacy Policy in their day-to-day operations.

### Strong Governance and Data Protection (cont'd)

The Privacy Policy is updated from time to time and covers the following aspects:

- Consent and data collection
- Access, correction and accuracy of data
- Cookies and Internet Protocol (IP) address tracking
- Transfer of information overseas

Details of our Privacy Policy can be found on our website at http://www.silverlakeaxis.com/privacy.html.

In FY2019, we did not receive any complaints regarding breaches of customer privacy and recorded zero identified leaks, theft or losses of personal data.

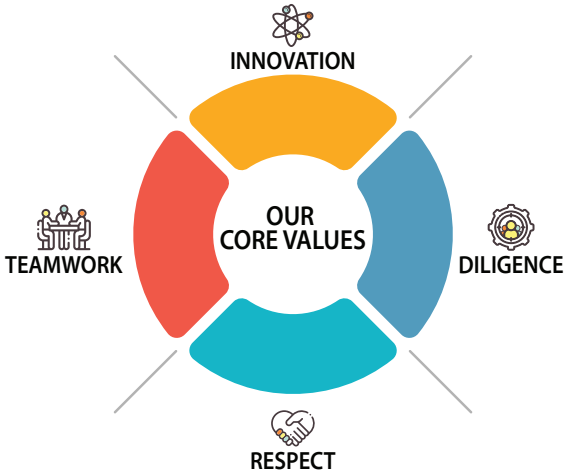



*Diagram 5: The Group's Core Values*

### Business Innovation

Open collaboration and innovative mindset form our DNA and culture here in Silverlake Axis allowing our software and services to remain resilient against disruptions and megatrends. This strength provides us with the competitive edge to add value to our stakeholders. Our 3 strategic pillars remain the core focus to drive business innovation across the Group:

- **Fulfilling Customer Needs**
  At Silverlake Axis, we understand that the one-size-fits-all solution is particularly rare in this fast-paced digital era where demand and expectation changes swiftly. Thus, we promote flexibility by offering innovative and customisable services while encouraging close collaboration with our customers to meet their unique requirements.

  - *For Banking customers: Straight Through Banking*
    Straight through Banking is our flagship platform to deliver responsive digital customer experience via 3 innovative products: Silverlake Axis Integrated Banking System (SIBS) Mega Core, DSP Mega and MOBIUS Co-Core. As the name suggest, this platform is straight through, fast, seamless and secure processing of all banking and customer transactions. From Core banking to Co-Core digital banking - our Straight Through Banking Platform is robust, proven and scalable and is currently the de-facto standard for some of the largest banks in ASEAN.

    Further details of Straight Through Banking can be found on page 16 of this Annual Report.

  - *For Insurance customers: FERMION*
    Customer expectation has reshaped the insurance landscape, amidst expectation to adapt in the evolving digital economy. Silverlake Axis capitalised on this opportunity through the launch of FERMION, ASEAN's first Insurtech Ecosystem Platform. Capitalising on Merimen's capabilities and Cyber Village's strengths, FERMION acts as an 'orchestrator' to seamlessly connect ecosystem partners or participants and offers complementary services across the insurance value chain.

    Further details of FERMION can be found on page 17 of this Annual Report.

  - *For Retail customers: QR Agora Cloud*
    QR Agora Cloud is designed and built specifically to capitalise the full advantages of cloud computing architecture and cloud services. With no upfront investments and a pay-as-you-go model, we help retailers to be more competitive in seeking new avenue of growth while achieve operational efficiency across online-offline channels. Analytics modules can be integrated to super-charge QR Agora Cloud's decisioning engine, providing real-time dashboard and timely recommendations. QR Agora Cloud is set to launch in FY2020.

- **Dialogues with Leaders, Partners and Investors**
  We see engagement and dialogues with key leaders, business partners and investors as a key avenue to exchange ideas, share experience, industry insights and understand how we can collectively address the evolving industry expectations. Throughout the year, we invite experts from all over the world to join conferences and networking sessions, which encourages insightful conversations towards innovation and evolution of the fintech industry.

Business Innovation (cont'd)

### Digital Collaboration & Transformation (DCTx) 2018

This year, we hosted the "Digital Collaboration & Transformation (DCTx) 2018" Conference in conjunction with our 30 years anniversary. The conference gathered 270 delegates across 17 countries to share insights that will reshape their organisations' future and remain relevant in the digital era. Among the distinguished speakers include key personnel from the financial services, fintech and digital sectors.




The several main themes of the conference include:

1. New way of working: Integrating existing systems with new digital solutions and innovations to modernise the bank
2. New way of cooperation: Banks collaborating with former competitors, fintech, and third-parties to unlock business synergies by winning as a team
3. New customers: Meeting expectations and winning loyalty of the new generation of consumer
4. New tech and new rules: Leveraging on emerging technologies to bring values to the organisation while navigating the complex yet ambiguous regulatory requirements



- **Strategic Acquisitions and Partnerships**
  As our vision is to strategically transform into an innovation accelerator and enhance our digital economy offerings, Silverlake Axis acquired 80% of SIA X Infotech Group's shares on 25 January 2019. This acquisition will enable the expansion of the Group's digital economy offerings, specifically in the areas of public and private enterprise digital identity solutions for customer identity economics, social and financial inclusion, security, and payments applications.

  For more information on SIA X Infotech Group, please read more on page 6 of this Annual Report.

## Our Business

### Management Approach

We are committed to the success of our business through financial profitability, strong governance and data protection and continuous business innovation. In this fast-changing industry, we acknowledge the importance of such traits to ensure our business resilience.

### Policies, practices and principles

- Accounting policies
  The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

  The preparation of financial statements in conformity with IFRSs also requires management to exercise its judgement in the process of applying the Group's accounting policies. Kindly refer to the consolidated financial statements on page 96 onwards for further details.

- Corporate Governance principles
  The Group complies with the principles and guidelines as set out in the Code of Corporate Governance 2012 and Mainboard Listing Manual of the Singapore Exchange Securities Trading Limited.

- Group's Standards of Business Conduct
  The Business Conduct Standard addresses the standard of business ethics of confidentiality, conflict of interests, fair dealing, anti-corruption, fraud and transparency. Please refer to page 27 for further insights.

- Risk management
  Risk management is an essential part of the Group's business planning and monitoring process. The Group has adopted a Group Risk Management Framework for the identification, assessment and management of risks within the Group. Management and all business and functional units are responsible for the day-to-day identification, managing and monitoring of risks.

- Privacy Policy
  The policy defines how Silverlake Axis strives for compliance with PDPA and practices a high level of data protection throughout the Group. Further information on our policy can be found on page 32 to page 33 of this report.

### Monitoring and control systems

- Financial reporting and planning
  The Group's financial development and achievement of financial objectives are monitored through financial reporting, planning and budgeting of the entire Group.

- Compliance
  We conduct compliance-related trainings from time to time to ensure that our employees are familiar with the fundamental laws and regulations applicable to the business as a whole.

- Whistle-blowing Policy
  The Whistle-blowing Policy aims to provide a channel for employees to raise concerns in good faith and in confidence, without fear of reprisals. Further details can be found on page 27.

- Gifts and Entertainment Policy
  This policy outlines expectations in providing or receiving third party gifts and entertainment. Further details can be found on page 27.

- Risk management
  We believe in the importance of maintaining a sound system of risk management and internal controls to safeguard stakeholders' interest and the Group's assets. Please refer to Principle 11 of the Corporate Governance Statement on page 66 to page 67.

- Data protection and security measures
  The Group has sufficient technical, administrative and physical procedures in place to prevent unauthorised access, collection, use, disclosure, copying, modification, disposal or similar risks to personal information in its possession. Retention period of these data are in compliance with local regulations. These data are only disclosed to third parties if it is required by law.

- Innovation planning and review
  All strategy, funding and progress related to innovation initiatives are reviewed as part of the agenda in the quarterly business review. For strategic investments, these will be brought up to the Strategic Investment Committee.

### Programmes, projects and initiatives

Innovation initiatives are undertaken through our in-house research and development team, product development team, collaboration with external parties and strategic acquisitions.

### Responsibilities and resources

- Group Managing Director
- Group Finance
- Group Strategic Finance and Risk
- Group Legal and Compliance
- PDPA Committee
- Strategic Investment Committee

## Employee Management

Our employees are the backbone of our organisation as they drive the growth of the Group by designing innovative business solutions for our customers. We aim to create an environment where organisational opportunity meets employee readiness and needs, while ensuring the Group continues to be a preferred and competitive employer in the marketplace. As such, our policies and procedures are structured to promote fair remuneration, diversity, reward and recognition for performance, work-life balance and career growth.

### Project Starlight

Our People and Organisational Transformation programme, Project Starlight was launched in FY2018 and is expected to be completed in 3 years. The programme focuses on four strategic initiatives namely Succession Planning, Talent Management, Talent Development and Compensation and Benefits. We are monitoring progress of all programmes and initiatives under each strategic area and will report on the updates as we make headway.

| Strategic Area | Description |
|---|---|
| Succession Planning | Establish discipline around the development of succession strategies to prepare future leaders for management and leadership across the Group |
| Talent Development | Establish programmes to better develop and train human capital, the Group's primary asset |
| Talent Management | Create a retention environment where organisational opportunity meets staff readiness and needs, while ensuring the Group continues to be a preferred and competitive employer in the marketplace |
| Compensation and Benefits | Enhance compensation and benefits programme to better align with the Group's performance objectives and strategic goals |

*Table 5: Strategic Areas of Project Starlight*

## Talent Management

Employees' data presented in this report are compiled through the Group Human Resource processes and systems. Our workforce consists of 2,125 employees in FY2019 as compared to 1,347 employees in FY2018, representing a 58% growth of our talent pool. The increase in workforce is mainly due to the acquisition of the 3 new subsidiaries in FY2018 as well as expansion of business. The acquisition contributed to an additional 408 employees as at year end.

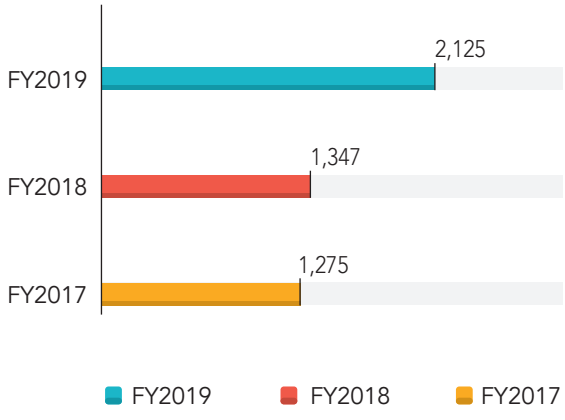



*Diagram 6: Number of Employees*

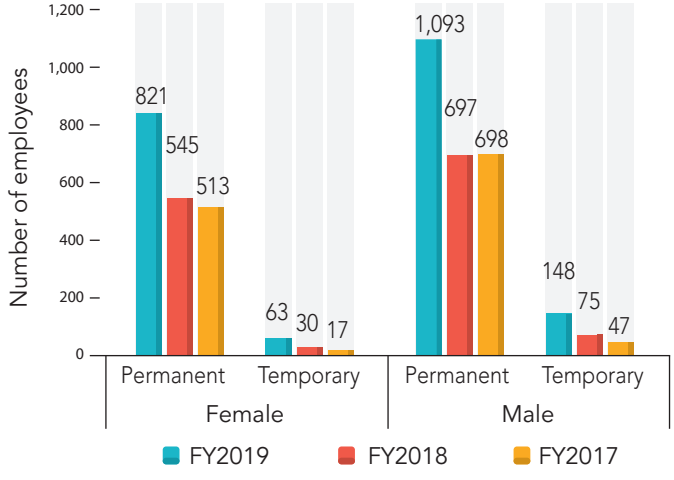



*Diagram 7: Number of Employees by Employment Contract, by Gender*

## Employee Management (cont'd)

### Talent Management (cont'd)

Over the years, we have grown our business within various markets. The understanding of local stakeholders' needs is the key to achieving our service delivery goals through customisation and localisation of our software solutions. Furthermore, local hiring supports local social-economic development, which contributes to the growth of the local economy. We are committed to local hiring where possible. In FY2019, we recorded 91% local hiring, as compared to 93% in FY2018 and FY2017. The marginal decrease was contributed by the higher number of expatriates from our new acquisitions.

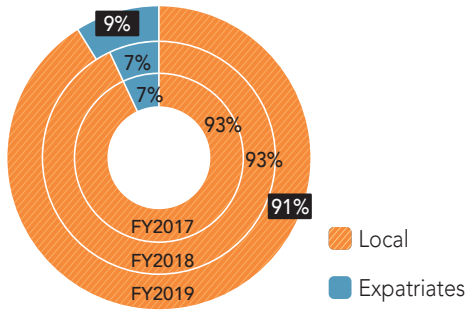



*Diagram 8: Percentage of Local Employees*

### Engaging with Young Talents

We continue to engage with potential future talents by expanding our networking base through career fairs and university talks. At Silverlake Axis, we understand what competencies our people need to excel and contribute within their roles. In FY2019, as part of our effort to nurture future Silverlake Axis professionals, we implemented the structured Graduate Programme. This programme allows selected new recruits to undergo a two-year guided familiarisation process to seamlessly transit themselves in our day-to-day operations. In FY2019, our first batch of graduates consisted of 7 individuals within the QR Business Unit.

Apart from the Graduate Programme, we provide opportunities to undergraduates looking for exposure in the fintech industry through Structured Internship Programme. The aim is to allow university students to develop their business and technological acumen. In FY2019, 60 interns were placed in various business units throughout the Group. Depending on availability, high performing interns are offered a job at the Group upon graduating.

We believe a diverse workforce enables us to leverage the different perspectives and foster innovative thinking to better engage, understand and respond to the unique needs of our stakeholders. Additionally, age diversity is a crucial element of our succession planning strategy in order to equip future leaders within the Group.

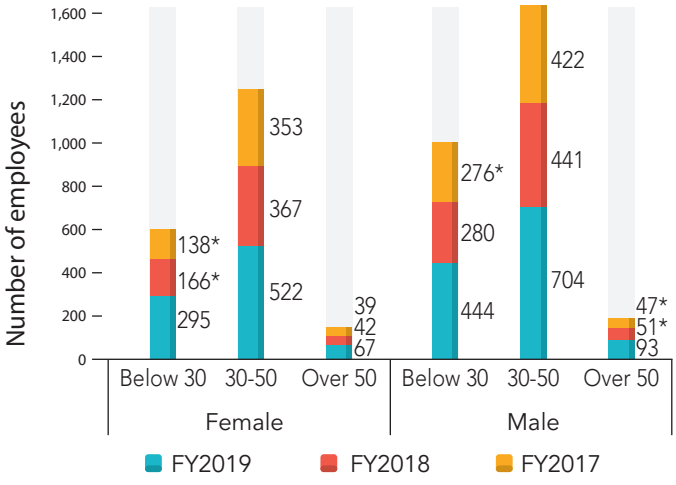



*Diagram 9: Gender Diversity by Age Group*

* *Numbers have been restated for consistency in year on year comparison.*

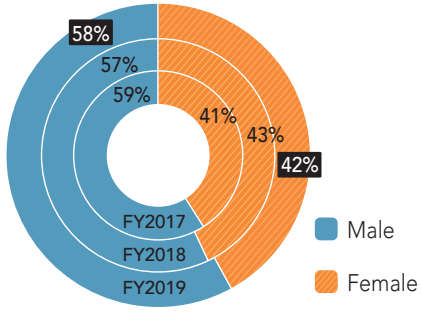



*Diagram 10: Gender Diversity*

## Employee Management (cont'd)

### Succession Planning

Our succession planning efforts aim to identify successor for critical position across the Group. Potential successors would be equipped through the succession plan to take on the role as future leaders for the assigned portfolio. Currently, the succession planning process has been implemented across 6 Business Units and will progressively be rolled out throughout the Group.

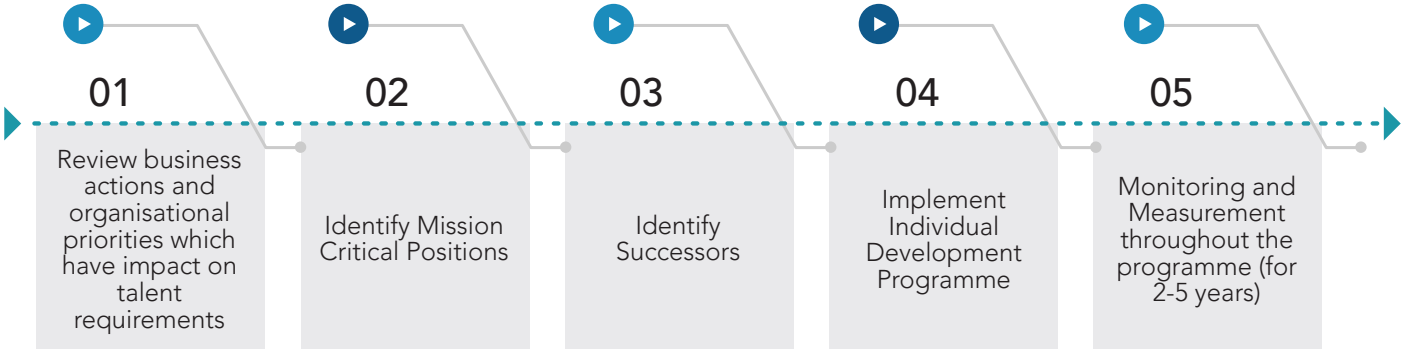



*Diagram 11: Succession Planning Process*

The employee metrics below cover both our workforce composition and the changes in workforce based on age and gender, reflecting our efforts in implementing inclusive recruitment practices.

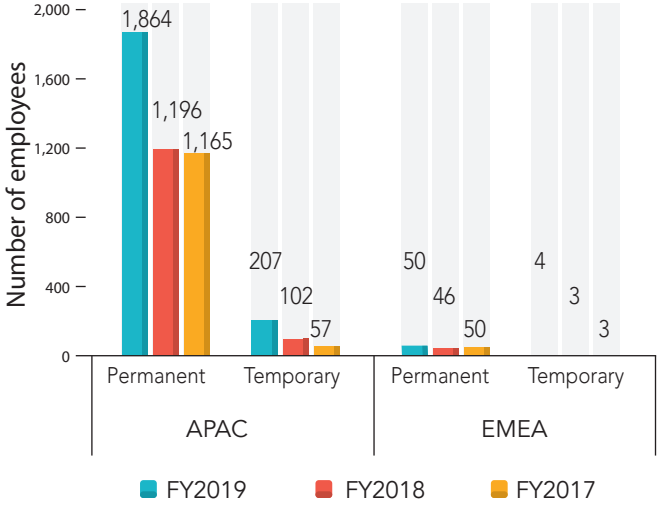



*Diagram 12: Number of Employees by Employee Contract by Region*

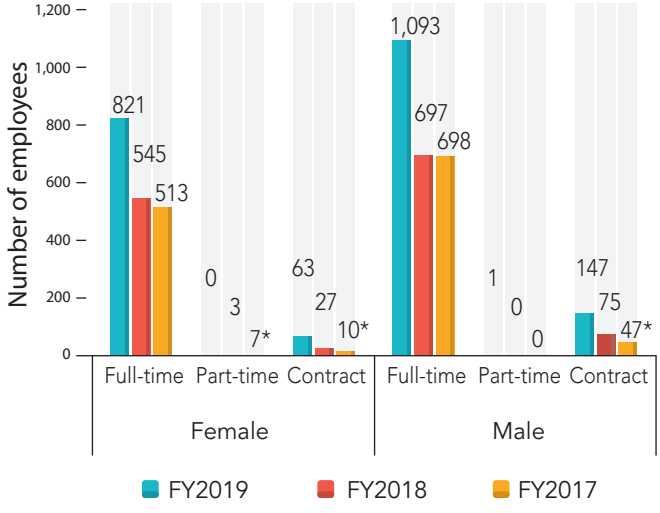



*Diagram 13: Number of Employees by Employment Type by Gender*

* *Numbers have been restated for consistency in year on year comparison.*

## Employee Management (cont'd)

| | | FY2019 | FY2018 |
|---|---|---|---|
| Director or Executive Vice President (VP) | Female | 42% | 50% |
| | Male | 58% | 50% |
| Head of Department (HoD) | Female | 25% | 58% |
| | Male | 75% | 42% |
| Senior Manager | Female | 44% | 44% |
| | Male | 56% | 56% |
| Manager | Female | 44% | 43% |
| | Male | 56% | 57% |
| Consultants and Associates | Female | 40% | 40% |
| | Male | 60% | 60% |

*Table 6: Composition of Management by Gender*

| | FY2019 | FY2018 |
|---|---|---|
| Malay | 7.4% | 7.8% |
| Chinese | 66.4% | 57.2% |
| Indian | 5.3% | 4.1% |
| Filipino | 6.4% | 9.1% |
| Vietnamese | 0.7% | 0.8% |
| Mauritian | 0.0% | 0.1% |
| Indonesian | 2.4% | 6.2% |
| Bidayuh | 0.1% | 0.1% |
| Myanmar | 0.2% | 0.1% |
| Thais | 2.1% | 10.2% |
| Pakistanis | 1.7% | 0.7% |
| Slovak | 5.1% | 2.3% |
| English | 0.2% | 0.1% |
| Others | 2.0% | 1.2% |
| TOTAL | 100.0% | 100.0% |

*Table 7: Ethnic Diversity*

| | | Age Group | | | Gender | | Region | |
|---|---|---|---|---|---|---|---|---|
| | | Below 30 | 30 - 50 | Over 50 | Female | Male | APAC | EMEA |
| **New Hires** | | | | | | | | |
| Number of Employees | FY2019 | 264 | 259 | 28 | 231 | 320 | 546 | 5 |
| | FY2018 | 131 | 118 | 13 | 122 | 140 | 262 | 0 |
| Percentage of Employees | FY2019 | 12.4% | 12.2% | 1.3% | 10.9% | 15.1% | 25.7% | 0.2% |
| | FY2018 | 9.7% | 8.8% | 1.0% | 9.1% | 10.4% | 19.5%* | 0.0% |
| **Turnover** | | | | | | | | |
| Number of Employees | FY2019 | 132 | 191 | 22 | 124 | 221 | 338 | 7 |
| | FY2018 | 101 | 82 | 7 | 77 | 113 | 186 | 4 |
| Percentage of Employees | FY2019 | 6.2% | 9.0% | 1.0% | 5.8% | 10.4% | 15.9% | 0.3% |
| | FY2018 | 7.5% | 6.1% | 0.5% | 5.7% | 8.4% | 13.8%* | 0.3%* |

*Table 8: Number and Rate of Silverlake Axis' New Hires and Turnover*

** Numbers have been restated for consistency in year on year comparison*

Employee Management (cont'd)

### Employee Engagement Survey

Regular communication and engagement with our employees are imperative to understand the needs of our people and build an interactive and engaged workforce. In FY2019, we introduced the Employee Engagement Survey across 6 business units with a strategic focus of improving people retention and acquisition. We gathered feedback on 4 key areas, i.e. leadership and planning, work environment, training and development, and pay and benefits. The survey provided our employees with an avenue to express their views and concerns and also act as a platform for the Management team to understand employees' needs. In response, the Management has introduced an action plan to drive our talent management agenda.

| Action Plan | Description |
|---|---|
| **Set up of an Employee Engagement Committee** | To evaluate the effectiveness of employee engagement activities organised as well as plan and propose new initiatives to management based on analysis and findings of employee engagement survey to cater to business unit needs |
| **Graduate Programme** | To pave the way for business units' future leaders and to develop talents to support the requirements of business growth |
| **Structured Internship Programme** | To access to a wider base of qualified talent pool through forging closer relationship with universities |
| **Compensation and Benefit Market Benchmark Exercise** | To ensure employees are paid equitably and fairly |

*Table 9: Future Talent Development Initiatives in the Pipeline*

### Compensation and Benefits

Offering attractive benefits to our employees is our investment in their overall health and well-being as well as long term benefit. We offer employees remuneration packages in line with their job responsibilities, performance and experience. We believe the compensation and benefits realignment initiative through Project Starlight will further boost employee morale and efficiency.

| Country | Type of benefit | Description |
|---|---|---|
| **MALAYSIA** | Leave | Annual, parental, marriage, compassionate, study, sick and hospitalisation |
| | Medical | Outpatient, hospitalisation, maternity health screening and dental coverage |
| | Insurance | Group term life and group personal accident |
| | Travel | Business travel, accommodation, per diem, renewal of passport, telephone charges, mileage claims, office parking, outstation claims, and taxi claims |
| | Allowances | Overtime, meal, winter clothing, station at side, broadband, travel, transportation, entertainment and support allowance |
| **SINGAPORE** | Leave | Annual, parental, marriage, childcare, adoption, compassionate, study, sick and hospitalisation |
| | Medical | Outpatient, hospitalisation, maternity health screening and dental coverage |
| | Insurance | Group term life and group personal accident |
| | Travel | Business travel, accommodation, per diem, renewal of passport, telephone charges, mileage claims, office parking, outstation claims, and taxi claims |
| | Allowances | Overtime, meal, winter clothing, station at side, broadband, travel, transportation, entertainment and support allowance |

*Table 10: Benefits of Full-time Employees*

## Employee Management (cont'd)

### Parental Leave

Parental leave is an equitable gender benefit comprising both maternity and paternity leave. Eligible working mothers are entitled to 60 days of maternity leave. Meanwhile paternity leave entitlements differ for our operations in Malaysia and Singapore. In Malaysia, eligible working fathers are entitled to a 1-day leave, while in Singapore, eligible fathers are entitled to 2 weeks of leave as part of the Government-Funded Paternity Leave.

In FY2019, 103 of our employees took the aforementioned leaves with a 96.1% return to work rate and 91.8% retention rate for at least 12 months. The increase in the uptake of parental leave over the years demonstrates that we recognise shared professional and domestic responsibilities amongst men and women, which in turn has a positive impact on the work-life balance of our employees.

| | Female | Male |
|---|---|---|
| Number of employees entitled to parental leave | 438 | 570 |
| Number of employees who took parental leave | 45 | 58 |
| Number of employees returned to work in the reporting period after parental leave ended | 43 | 56 |
| Number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work | 26 | 30 |
| Return to work rates (%) | 95.6 | 96.6 |
| Retention rates (%) | 86.7 | 96.8 |

*Table 11: Return to Work Rate and Retention Rate of Silverlake Axis Employees Who Took Parental Leave in FY2019*

### Work-Life Balance

At Silverlake Axis, we are committed to supporting our employees' well-being and creating a work environment that allows employees to thrive. We encourage our employees to find the right balance between their professional and personal life. This culture has led to an increase in productivity with a positive working environment as employees are highly motivated and less stressed at work.

Our policies and processes in place such as childcare leave and flexible working hours were designed to encourage a healthy work-life balance amongst our employees. We also organise interactive and leisure activities such as annual dinner, group trip and runs for employees to stay active and replenish themselves from work.

In FY2019, the Group won the AIA Vitality "Healthiest Employees" award for medium sized organisation category in recognition of our healthy workplace initiatives, as well as the Group's philosophy in workplace health.




*Visit to Lee Ah Mooi Old Age Home*

## Employee Management (cont'd)

### Work-Life Balance (cont'd)




*Annual Dinner*



*First Aid Talk*




*Income Eco Run*

## Training and Education

### Talent Development

The need for highly skilled employees with learning agility in the fintech sector will continue to grow in this era of disruption. As we innovate and expand rapidly, we aim to have a workforce who are always future-ready to adapt accordingly.

Guided by our Training and Development Policy, Silverlake Axis aspires to develop performance improvement strategies for individuals and the organisation as a whole.

The objective of our Group's training and development programmes are:

- To enhance the competency level in terms of skills and knowledge in order to maximise job performance and productivity;
- To develop high potential employees and to prepare them for future job requirement; and
- To mould resultant behaviour which will lead to achievement of the job standard and eventually give rise to the attainment of the corporate direction.

Through a Training Needs Analysis, the Training and Development team will review, consolidate and analyse the needs and supports for the implementation of respective trainings. There is an option for employees to request for trainings relevant to their portfolio as well. Both in-house and external trainings are available for employees. Additionally, induction and orientation are mandatory for all new hires.

In FY2019, we have invested a total of 13,251 training hours and RM502,451 for our employees as compared to 4,467* training hours amounting to RM235,528 in FY2018.

| Gender | FY2019 | FY2018* | FY2017* |
|---|---|---|---|
| Female | 6.0 | 3.7 | 4.1 |
| Male | 6.4 | 3.0 | 4.8 |

*Table 12: Average Training Hours by Gender*

** Numbers have been restated for consistency in year on year comparison.*

| Employee Category | Average Training Hours |
|---|---|
| Director or Executive VP | 3.9 |
| Head of Department | 4.8 |
| Senior Manager | 4.4 |
| Manager | 4.9 |
| Consultants and Associates | 7.4 |

*Table 13: Average Training Hours by Employee Category for FY2019*

### Performance Appraisal

As part of our performance management system, performance appraisal is conducted annually to assess an employee's actual performance relative to the set Key Performance Indicators ("KPIs"). This involves 2-way communication between the immediate superior and the employee to express expectations and appraise past performance for continuous improvement. The standard process of conducting performance appraisal in Silverlake Axis is outlined below:




*Diagram 14: Silverlake Axis' Performance Appraisal Process*

*For the period under review, 99% of our employees have received a performance appraisal.*

ARTIFICIAL INTELLIGENCE

## ARTIFICIAL INTELLIGENCE ("AI") AND CODING AS A LIFE SKILL

In our inaugural Corporate Social Responsibility ("CSR") programme 'Coding as a Life Skill' last year, we received positive feedback from students, volunteers and stakeholders. This inspired us to continue this programme and enhanced it further to contribute even more to the students.

This year, our CSR programme not only equipped the younger generation with basic coding skills but also highlighted the importance of AI technology and its applications. 'AI & Coding as a Life Skill' programme was carried out in 3 ASEAN countries, each led by employees from the following subsidiaries – Cyber Village, Silverlake Symmetri Group and Merimen Group.

CYBER VILLAGE
The E-Business Consultants
http://www.cyber-village.net

### Cyber Village
@ MALAYSIA

**Programme Overview:**

Held at SMJK Convent Data Keramat in Georgetown, Penang from 23 to 25 April 2019, this 3-day programme was designed to target lower secondary students and used a series of creative learning materials and group challenges such as creating a ChatBot, via an AI platform called 'Machine Learning' (using application program interface (API) from IBM Watson) and leveraging on the coding application, Scratch.

Hands-on learning was a key element in this training , whereby students were introduced to AI and guided through a detailed step-by-step 'how-to' tutorial for Scratch application, which is a block-based visual programming language to create simple, interactive and fun animations and stories, including a ChatBot. Students also participated in a challenge session to build and present their own ChatBot, which can give users a song recommendation based on their presentation.

### SMJK Convent Dato Keramat in Georgetown (23 – 25 April 2019)


4


5


6


7

4. Almost 30 students participated this year!

5. Students trying to manoeuvre around the blocks palette to explore its function and to animate their sprites.

6. A trainer giving handy tips to students on how to build the blocks.

7. Students confidently presenting and demonstrating their personalised ChatBot.


1


2


3

1. SMJK Convent Dato Keramat, Penang hosted the CSR Programme

2. Students honing their problem-solving and critical thinking skills by consulting their trainers during the mini challenge session.

3. Students concentrating on building the blocks during the mini challenge session.

While this year's CSR was definitely a challenging one, the team showed nothing but endless positivity and a passionate volunteering spirit, making the learning experiences for the students incredibly fruitful and memorable.

At the end of the 3-day, we developed great camaraderie with the students. They were extremely thoughtful to have written colourful, handcrafted thank-you cards dedicated to all the trainers. The team aims to continue these acts of kindness and contribute back to the society through similar events in the upcoming year.



Silverlake Symmetri
@ PHILIPPINES

**Programme Overview:**

In Philippines, this training programme was conducted for 2 schools - one for Buting Senior High School (held at the school from 1 to 3 April 2019) and another for Dr. Juan G Nolasco High School (held at Silverlake Symmetri Philippines office on the 4, 5 and 20 April 2019). Each consisted of 3-half day sessions and was designed to equip students with basic AI Technology through Voice User Interface (VUI) and teach them how to build their own Alexa Skill using Alexa Blueprint.

## Buting Senior High School (1 – 3 April 2019)











**1.** Meet the Silverlake Symmetri Trainers!

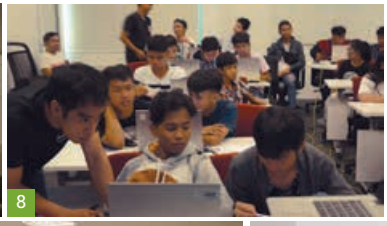
**2, 3 & 4.** Teaching students some basic software coding skills.

**5.** Yummy snacks were arranged for the students after the 3-hour session.

**6.** Specially prepared goodie bags and awarded all participants for completing the 3-day programme.

## Dr. Juan G. Nolasco High School (4, 5 & 20 April 2019)





**7 & 8.** Cultivating students' interest in coding and equipping them with basic ICT skills.

**9.** Testing young participants on their software skills.

**10.** Empowering future generations with ICT skills and knowledge – Mission accomplished!








merimen | Merimen Group @ INDONESIA

**Programme Overview:**

Held at Bina Nusantara University, Indonesia from 28 to 30 March 2019 , this 3-day programme was design to teach students programming using Python (an Object Oriented Programming (OOP) based, high-level, interpreted programming Language), Python use cases for Web Development (Django), Internet of Things (IOT), Data Science and Machine Learning.

Hands-on training was a key element to accelerate the learning and teach students highly relevant skills, such as AI and Artificial Neural Network (ANN). Students also tested their understanding during the quiz segment as they were able to apply the learnings from the programme and win prizes!

## Bina Nusantara University (28 – 30 March 2019)



1


2


3


4


5


6



7

1. Meet the Merimen Group Trainers!

2 & 3. Merimen Group Trainers guiding the students during a hands-on session.

4 & 5. Students listening in rapt attention.

6. Presenting the Certificate of Completion with specially arranged goodie bags to all participants.

7. A fruitful training sessions ended with taking a group 1 2 3 photo – just look at those big smiles!

## Our People

### Management Approach

Silverlake Axis aims to be an attractive employer, one that employees are proud to work for and that advocates work-life balance. With this in mind, we strive to invest in our people and continuously provide opportunities for development. We manage our employees through several initiatives such as our employee welfare, rewards and remuneration efforts, people development and continuous employee engagement.

### Policies, practices and principles

- Group's Standards of Business Conduct and Employee Handbook
  Reference is made to the Ethical Business Conduct section on page 27.

- Human Resources ("HR") management guidelines
  We ensure we are in compliance with the relevant labour laws, at a minimum. Our HR management hinges on our Core Values and the Business Conduct Standard. We have adopted a systematic and fair grading and remuneration structure in attracting and motivating our employees.

- Training and Development Policy
  The policy provides guidelines for systematic planning of performance improvement strategies to obtain the maximum value from the investment in staff trainings. The Head of Departments will assess and identify the employees' development needs through discussions with the Project Manager. They will then compile and submit the employee training requirement of the department via the Training Needs Analysis Form to the HR Department at the beginning of each calendar year.

- Open Door Policy
  We encourage our employees to ask questions, voice concerns, and make appropriate suggestions regarding the business practices of the Group. Employees are expected to report promptly to management, of suspected violations of the law and the Group's policies, and internal controls. Appropriate corrective actions will be taken against these reports.

- Performance Appraisal Policy
  This policy guides the organisation in carrying out systematic performance appraisals. It also underlines the steps to manage underperforming employees and probationers. The performance appraisal process is detailed on page 43.

### Monitoring and control systems

- Performance appraisal
  We conduct annual performance appraisals to review and assess our employee's job performance and overall contribution to the Group relative to work standards and expectations. Capitalising on these feedbacks, our employees will be able to continuously improve and develop their key competencies and relevant skill sets.

- Grievance mechanism
  Reference is made to the Whistle-blowing section on page 27.

### Programmes, projects and initiatives

- Project Starlight
  Project Starlight is a people and organisational transformation initiative aimed at streamlining and improving the employee management system at Silverlake Axis. Further details on this initiative can be found on page 36.

### Responsibilities and resources

- Group People and Organisation
- Head of Subsidiaries
- HR Department

## E-Waste

E-waste is now one of the fastest growing and most hazardous waste stream that needs immediate action. As a technology service provider, e-waste is especially relevant to our business.

In response, Silverlake Axis has established an E-waste Policy to facilitate our in-house e-waste management. The policy intends to foster sustainable development culture and practices within the Group through environmentally sound management of e-waste, to reduce our operational cost and increase resource efficiency.

Used IT equipment is cleaned of all data prior to re-use, recycling and disposal to ensure confidential data is protected. Good practices in the storage of e-waste is also emphasised in the policy for security, data protection and occupational health and safety purposes.

In FY2019, individuals were assigned to be in charge of e-waste management within subsidiaries. These persons-in-charge were briefed on how to collect and handle the relevant e-waste data. For this reporting period, most electronic devices from Silverlake Axis are leased, thus no e-waste was generated.

| Method | Guideline |
|---|---|
| Re-use | • Subsidiaries which have e-waste for re-use can choose to sell or donate it to vendors, charities or individuals who will be re-using these e-waste for the same purpose it is intended for. |
| Recycling | • Subsidiaries can send their e-waste for recycling whereby discarded electrical or electronic equipment or components are used as raw materials for other electrical or electronic equipment.<br>• Recycling must be done by established recycling facilities or scrap vendors which have proper process and safety measures to recycle, recover, or incinerate e-waste which may contain hazardous material. |
| Disposal | • Subsidiaries with e-waste that are at end-of-life and ready for disposal shall engage disposal service providers or facilities to assist in the disposal and proper destruction of these discarded electrical or electronic equipment.<br>• Disposal must be done by established disposal service providers or facilities which have proper process and safety measures to dismantle, segregate, smelter, incinerate and manage downstream e-waste. |

*Table 14: Silverlake Axis' Approach to E-Waste Management*

### Management Approach

We seek to play an active role in addressing the gradually pressing issue of e-waste. The Group looks into managing e-waste through reusing, recycling, responsible disposal as per our E-waste Policy.

### Policies, practices and principles

- E-Waste Policy
  We have established and rolled out our E-waste Policy in FY2018 to streamline our in-house e-waste management.

### Monitoring and control systems

Each subsidiary is required to keep a record of their e-waste management, including the monitoring of the following information:

- Type of e-waste
- Date of write off
- Reason
- Name of individual/vendor/company receiving the e-waste (subsidiaries must keep a record on the selection and reasons for selection)
- Amount received or paid (if any)

### Responsibilities and resources

- Information Technology
- Office Administration

| GRI Standards | Disclosure | | Page(s) and/or URL(s) reference and reason for omission if applicable |
|---|---|---|---|
| **General Disclosures** | | | |
| GRI 102: General Disclosures 2016 | Organisational Profile | | |
| | 102-1 | Name of the organisation | Cover page |
| | 102-2 | Activities, brands, products, and services | 03, 22 - 24 |
| | 102-3 | Location of headquarters | http://www.silverlakeaxis.com/about-us/contact-us.html |
| | 102-4 | Location of operations | 154 - 158, 221 - 222 |
| | 102-5 | Ownership and legal form | 01, 96 |
| | 102-6 | Markets served | 02, 03, 221 - 222 |
| | 102-7 | Scale of the organisation | 02, 03, 07, 18 - 22, 36 |
| | 102-8 | Information on employees and other workers | 36 - 38 |
| | 102-9 | Supply chain | 31 |
| | 102-10 | Significant changes to the organisation and its supply chain | III, 06, 34, 159 - 163<br>However, no impact on the supply chain |
| | 102-11 | Precautionary Principle or approach | 26, 66 - 67 |
| | 102-12 | External initiatives | 44 - 46 |
| | 102-13 | Membership of associations | We are a corporate member of the Singapore Institute of Directors |
| | Strategy | | |
| | 102-14 | Statement from senior decision-maker | 04 - 05 |
| | Ethics and integrity | | |
| | 102-16 | Values, principles, standards, and norms of behaviour | 02, 27 |
| | Governance | | |
| | 102-18 | Governance structure | 08 - 15, 26 |

| GRI Standards | Disclosure | | Page(s) and/or URL(s) reference and reason for omission if applicable |
|---|---|---|---|
| **General Disclosures** | | | |
| GRI 102: General Disclosures 2016 | Stakeholder engagement | | |
| | 102-40 | List of stakeholder groups | 28 |
| | 102-41 | Collective bargaining agreements | Not applicable as Silverlake Axis is not a unionised company |
| | 102-42 | Identifying and selecting stakeholders | 28 |
| | 102-43 | Approach to stakeholder engagement | 28 |
| | 102-44 | Key topics and concerns raised | 28 - 29 |
| | Reporting practice | | |
| | 102-45 | Entities included in the consolidated financial statements | 07, 154 - 158, 166, 168 |
| | 102-46 | Defining report content and topic boundaries | 25, 30 |
| | 102-47 | List of material topics | 30 |
| | 102-48 | Restatements of information | 32, 37 - 39, 43 |
| | 102-49 | Changes in reporting | 30 |
| | 102-50 | Reporting period | 25 |
| | 102-51 | Date of most recent report | 25 |
| | 102-52 | Reporting cycle | 25 |
| | 102-53 | Contact point for questions regarding the report | 25 |
| | 102-54 | Claims of reporting in accordance with the GRI Standards | 25 |
| | 102-55 | GRI content index | 49 - 52 |
| | 102-56 | External assurance | 25 |

| GRI Standards | Disclosure | | Page(s) and/or URL(s) reference and reason for omission if applicable |
|---|---|---|---|
| **Material Topics** | | | |
| Economic Performance | | | |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its Boundary | 30, 32 |
| | 103-2 | The management approach and its components | 35 |
| | 103-3 | Evaluation of the management approach | 32, 35<br>Silverlake Axis has validated and evaluated the management approach. No changes or adjustments required for FY2019. |
| GRI 201: Economic Performance 2016 | 201-1 | Direct economic value generated and distributed | 32 |
| Effluents and Waste | | | |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its Boundary | 30, 48 |
| | 103-2 | The management approach and its components | 48 |
| | 103-3 | Evaluation of the management approach | 48<br>Silverlake Axis has validated and evaluated the management approach. No changes or adjustments required for FY2019. |
| GRI 306: Effluents and Waste 2016 | 306-2 | Waste by type and disposal method | 48 |
| Employment | | | |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its Boundary | 30, 36 |
| | 103-2 | The management approach and its components | 47 |
| | 103-3 | Evaluation of the management approach | 39 - 41, 47<br>Silverlake Axis has validated and evaluated the management approach. No changes or adjustments required for FY2019. |

| GRI Standards | Disclosure | | Page(s) and/or URL(s) reference and reason for omission if applicable |
|---|---|---|---|
| **Material Topics** | | | |
| Employment | | | |
| GRI 401: Employment 2016 | 401-1 | New employee hires and employee turnover | 39 |
| | 401-2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees | 40 |
| | 401-3 | Parental leave | 41 |
| Training and Education | | | |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its Boundary | 30, 43 |
| | 103-2 | The management approach and its components | 47 |
| | 103-3 | Evaluation of the management approach | 43, 47<br>Silverlake Axis has validated and evaluated the management approach. No changes or adjustments required for FY2019. |
| GRI 404: Training and Education 2016 | 404-1 | Average hours of training per year per employee | 43 |
| | 404-2 | Programmes for upgrading employee skills and transition assistance programs | 43 |
| | 404-3 | Percentage of employees receiving regular performance and career development reviews | 43 |
| Customer Privacy | | | |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its Boundary | 30, 32 - 33 |
| | 103-2 | The management approach and its components | 35 |
| | 103-3 | Evaluation of the management approach | 33, 35<br>Silverlake Axis has validated and evaluated the management approach. No changes or adjustments required for FY2019. |
| GRI 418: Customer Privacy 2016 | 418-1 | Substantiated complaints concerning breaches of customer privacy and losses of customer data | 33 |

The Board of Directors of Silverlake Axis Ltd. (the "Company") (the "Board") recognises the importance of good corporate governance in ensuring greater transparency, protecting the interests of its shareholders as well as strengthening investors' confidence in its management and financial reporting and is committed to maintaining a high standard of corporate governance within the Company and its subsidiaries (the "Group"). Processes and procedures have been instituted and are being constantly reviewed and revised to ensure effective corporate governance.

The Board is pleased to report that the Company has complied with the principles and guidelines as set out in the Code of Corporate Governance 2012 (the "Code") and Mainboard Listing Manual of the Singapore Exchange Securities Trading Limited (the "SGX-ST") (the "Listing Manual") except where otherwise stated together with the explanations therein, as listed below:

- Guideline 4.4: Commitment of Directors with Multiple Board Representations
- Guideline 8.4: Contractual Provisions to Reclaim Incentive Components of Remunerations

The Code of Corporate Governance 2018 (the "Revised Code") was issued on 6 August 2018, and will apply to annual reports covering financial years commencing from 1 January 2019. Therefore, the Revised Code will apply to the Company for the financial year ending 30 June 2020 ("FY2020").

## BOARD MATTERS

### Principle 1: The Board's Conduct of Affairs

**Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.**

*Guideline 1.1: Board's Role*
The Board oversees the conduct of the Group with the objective of protecting and enhancing long-term shareholders' value. The Board provides entrepreneurial leadership, sets overall directions, strategies, values and standards for the Group taking into consideration ethical and sustainability issues, ensures the necessary financial and human resources are in place for the Group to meet its objectives, monitors the effectiveness of the Group's risk management framework and system of internal controls, and reviews the performance of the Management and the Group, to ensure the Group's strategies and affairs are in the interests of the Company and its stakeholders. The Board in recognising that the perceptions of key stakeholder groups affect the Company's reputation, provides guidance to the Management on the identification of key stakeholder groups and strategies in addressing the concerns of these key stakeholder groups.

*Guideline 1.2: Directors' Duties and Responsibilities*
All Directors are aware of their fiduciary duties and exercise due diligence and independent judgement at all times in ensuring that their decisions are objective and in the best interests of the Company.

*Guideline 1.3: Delegation by the Board*
To facilitate the Board in the execution of its duties and to enhance the effectiveness of the Board particularly in the light of the Company's expansion, the Board delegates its authority to the Audit and Risk Committee ("ARC"), Remuneration Committee ("RC"), Nominating Committee ("NC"), and Strategic Investment Committee ("SIC") without abdicating its responsibility. Each Board Committee has written Terms of Reference, which clearly set out its authority, duties and responsibilities.

The objective of the SIC is to assist the Board to strengthen the strategic investment decision making process of the Company.

To further enhance the governance and effectiveness of the Board, the following Board initiatives were implemented in FY2019.

- Appointment of Mr. Ong Kian Min as Lead Independent Non-Executive Director,
- Establishment of SIC,
- Formalising the responsibilities of risk oversight under the Audit Committee and renaming the Audit Committee as ARC.

In addition, the Board also appointed Mr. Tan Teik Wei as Group Managing Director of the Company, with effect from 1 July 2019 following the retirement of Dr. Kwong Yong Sin from this position.

## Principle 1: The Board's Conduct of Affairs (cont'd)

*Guideline 1.3: Delegation by the Board (cont'd)*
Board and Board Committees composition are as set out below:

| Director | Board | Audit and Risk Committee | Remuneration Committee | Nominating Committee | Strategic Investment Committee |
|---|---|---|---|---|---|
| **Executive Directors** | | | | | |
| Goh Peng Ooi | Chairman | - | - | Member | - |
| Dr. Kwong Yong Sin | Member | - | - | - | - |
| Goh Shiou Ling | Member | - | - | - | - |
| Tan Teik Wei | Member [1] | - | - | - | - |
| **Non-Executive Directors** | | | | | |
| Independent | | | | | |
| Ong Kian Min | Member | Chairman | Member | Chairman | - |
| Professor Tan Sri Dato' Dr. Lin See Yan | Member | - | - | Member | Chairman [2] |
| Lim Kok Min | Member | Member | Member | Member | - |
| Tan Sri Dato' Dr. Mohd Munir bin Abdul Majid | Member | Member | Chairman [2] | - | - |
| Yau Ah Lan (a.k.a. Datuk Yvonne Chia) | Member | Member [2] | Member | Member | - |
| See Chuang Thuan [3] | Member [2] | - | - | - | Member [2] |
| Non-Independent | | | | | |
| Voon Seng Chuan [3] | Member [2] | - | - | - | Member [2] |

[1] With effect from 1 July 2019
[2] With effect from 1 July 2018
[3] Mr. See Chuang Thuan and Mr. Voon Seng Chuan were appointed as Directors with effect from 1 July 2018.

*Guideline 1.4: Board Meetings*
The Board meets regularly throughout the year on a quarterly basis and additional meetings are convened as and when necessary. In additional to physical meetings, written resolutions are also circulated for approval by the Directors. The Company's Bye-Laws allows Board meetings to be conducted by way of teleconferencing. Board meetings are scheduled in advance prior to the start of each financial year in order to provide ample notice of meetings to all Directors.

## Principle 1: The Board's Conduct of Affairs (cont'd)

*Guideline 1.4: Board Meetings (cont'd)*
The number of Board and Board Committee meetings held during FY2019 and the attendance of Directors at the meetings are as follows:

| | No. of meetings attended in FY2019 | | | | |
|---|---|---|---|---|---|
| | Board [2] | ARC | RC | NC | SIC |
| **Executive Directors** | | | | | |
| Goh Peng Ooi | 4/4 | - | - | 2/2 | - |
| Dr. Kwong Yong Sin | 4/4 | - | - | - | - |
| Goh Shiou Ling | 4/4 | - | - | - | - |
| Tan Teik Wei [1] | - | - | - | - | - |
| **Non-Executive Directors** | | | | | |
| Independent | | | | | |
| Ong Kian Min | 4/4 | 4/4 | 4/4 | 2/2 | - |
| Professor Tan Sri Dato' Dr. Lin See Yan | 4/4 | - | - | 1/2 | 8/8 |
| Lim Kok Min | 4/4 | 4/4 | 4/4 | 2/2 | - |
| Tan Sri Dato' Dr. Mohd Munir bin Abdul Majid | 4/4 | 4/4 | 4/4 | - | - |
| Yau Ah Lan (a.k.a. Datuk Yvonne Chia) | 4/4 | 4/4 | 4/4 | 2/2 | - |
| See Chuang Thuan | 4/4 | - | - | - | 8/8 |
| Non-Independent | | | | | |
| Voon Seng Chuan | 4/4 | - | - | - | 8/8 |

[1] Mr. Tan Teik Wei was appointed as Director with effect from 1 July 2019.

[2] Apart from four Board meetings held during FY2019, all Board members who held office then, also attended three business planning sessions with Management.

*Guideline 1.5: Reserved Matters*
The Board's approval is specifically required for matters such as strategic plans, annual budgets and business plans, material acquisition and disposal of assets, corporate or financial restructuring, share issuance, dividends and other returns to shareholders and issuance of debt instruments or acceptance of credit facilities from banks. The Board also approves financial results and other announcements for release to the SGX-ST, annual report and audited financial statements. In addition, the Group Authority Matrix provides clear direction to the Management on the requirement for the Board's specific approvals for capital and operating expenditures exceeding Management's approval thresholds.

*Guidelines 1.6 and 1.7: Induction and Training of Directors*
Newly appointed directors are provided with formal letter setting out the director's duties and responsibilities and pertinent information about the Group. Directors are given appropriate briefings by the key management of the Group's business, strategic direction and policies and governance practices. Site visits to the Group's properties and events are also arranged for all Directors, to enable them to continue to familiarise themselves with the Group's operations and fulfil their roles as Board members and Board Committee members effectively.

All Directors are updated regularly on changes in relevant regulations and updates on industry trends and issues. In addition, Directors are updated regularly on trainings available in areas such as finance, risks, legal and governance. The Company is responsible for the arrangement and funding of these trainings. In addition, the Company is a corporate member of Singapore Institute of Directors ("SID") to benefit from its regular updates and trainings on the latest thinking on corporate governance and to promote professional development for Directors. Trainings attended by Directors, amongst others include SID-Listed Entity Director Programmes ("LED") Essential: SID-SMU Directorship Programmes ("SDP"); SID-Current Topics ("CTP"); SID-Directors Conference 2018 and Singapore Corporate Governance Code Briefing 2018.

Newly appointed Director, Mr. Tan Teik Wei has attended all eight LEDs conducted by SID.

## Principle 2: Board Composition and Guidance

**There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.**

*Guidelines 2.1 and 2.2: Board Independence*
The NC rigorously reviews the independence of each Independent Director annually and as and when required. An Independent Director is one who has no relationship with the Company, its related companies, its 10% shareholders (as defined in the Code) or its officers that can interfere, or be reasonably perceived to interfere with the exercise of the Director's independent business judgement to the best interests of the Company.

There is a strong element of independence in the Board. The Board comprises eleven members, of which four are Executive Directors, six are Independent Non-Executive Directors and a Non-Executive Director. The NC conducted its annual review of the Directors' independence, particularly those who have served more than nine years and is satisfied that at least half of the Board comprises Independent Directors since the Group Executive Chairman, Mr. Goh Peng Ooi, is not an Independent Director.

*Guideline 2.3: Independence of Directors*
The NC, in considering the independence of a Director, takes into account the directors relationships as set out in the Code, including whether a Director has business relationships with the Group and if so, whether such relationships could affect or could appear to affect, the Director's independent judgements. The NC also takes into account Directors' conduct at Board meetings and their annual declaration of independence and peer review in its deliberation. No NC member is involved in the deliberation of his/her own independence. Any Director who has an interest or relationship which is likely to impact on his/her independence is required to immediately declare his/her interest or relationship to the Board.

The NC has assessed the independence of Mr. Ong Kian Min, Professor Tan Sri Dato' Dr. Lin See Yan, Mr. Lim Kok Min, Tan Sri Dato' Dr. Mohd Munir bin Abdul Majid, Ms. Yau Ah Lan (a.k.a. Datuk Yvonne Chia) and Mr. See Chuang Thuan; and is satisfied that there is no relationship or other factors such as gifts or financial assistance, past association, business dealings, representative of shareholder, financial dependence, relationship with the Group or the Group's management which would impair their independent judgement.

*Guideline 2.4: Independence of Directors who have served on the Board beyond Nine Years*
The Board recognises that the Independent Directors may over time develop significant relationship with the Directors and Management but at the same time have significant insights in the Group's business and can continue to provide significant and valuable contribution objectively to the Board. When there are such Directors, the Board rigorously reviews their continuing contribution and independence of character and judgement in discharging their duties objectively.

The NC and Board have conducted rigorous review as described above and have determined that the three Directors, Mr. Ong Kian Min, Professor Tan Sri Dato' Dr. Lin See Yan and Mr. Lim Kok Min, who have served as Independent Non-Executive Directors of the Company for more than nine years from their respective date of first appointment to the Board, continue to be considered as Independent Directors. The Board concurred with the NC that they remained independent, professional and objective in discharging their respective Board and Board Committees responsibilities to the best interests of the Company, notwithstanding their tenure of service.

*Guidelines 2.5 and 2.6: Board Size and Diversity*
The NC regularly reviews the size and composition of the Board and Board Committees and the skills and core competencies of the Board members to ensure an appropriate balance and diversity of competencies, experience, gender and age. The Company continuously seeks to maintain an appropriate mix of diversity in its Board and also focuses on Board renewal and succession. The NC considers candidates recommended by Board members as well as from other external sources, taking into consideration skills, competencies and integrity of the candidates. The Board, upon the recommendations of the NC, appointed Mr. Tan Teik Wei as Executive Director with effect from 1 July 2019. He succeeded Dr. Kwong Yong Sin as Group Managing Director. Dr. Kwong Yong Sin continues to be an Executive Director of the Company.

The Board considers that its current Directors represent a mix of competencies, experience, gender and age, and collectively possess the necessary core competencies and knowledge to lead and govern the Company effectively. Five Board members have extensive experience in the IT industry and three Board members have vast experience in the financial services industry while the remaining three Board members bring a broad range of knowledge and experience in corporate finance, business management and corporate governance. Out of the eleven Directors, two are female.

## Principle 2: Board Composition and Guidance (cont'd)

*Guidelines 2.5 and 2.6: Board Size and Diversity (cont'd)*
The Board is of the view that taking into account the nature and scope of the Company's operations, the current board size of eleven Directors is appropriate. The Board believes that the current composition and size provide sufficient diversity without interfering with efficient decision making.

Details of the Directors' qualifications, background and working experience, current and past three years principal directorships and chairmanships and other principal commitments are set out under the Board of Directors section of this annual report.

To-date, none of the Non-Executive Directors of the Company has been appointed as a Director of the Company's principal subsidiaries. The Board is of the view that the current Board structure in the principal subsidiaries is well organised and constituted. The Board and Management will from time to time review the board structure of the principal subsidiaries and will make appropriate changes when required, including the appointment of independent directors to the board of such principal subsidiaries.

*Guidelines 2.7 and 2.8: Non-Executive Directors Role and Meetings*
The Non-Executive Directors participate actively in the Board and Board Committees. They constructively challenge and help to develop proposals on strategy and review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance. The diversity of competencies and industry knowledge of the Non-Executive Directors bring invaluable contributions to the Company with their fresh perspective and robust deliberations and decision making.

The Non-Executive Directors meet without the presence of Management when necessary for a more open deliberation and effective check on Management. They have independent access to Management.

## Principle 3: Role of Chairman and Group Managing Director

**There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.**

*Guidelines 3.1 and 3.2: Roles of Chairman and Group Managing Director*
Mr. Goh Peng Ooi is the Group Executive Chairman and Dr. Kwong Yong Sin was the Group Managing Director for the financial year ended 30 June 2019. Mr. Tan Teik Wei has been appointed as the Group Managing Director with effect from 1 July 2019. The respective roles of Chairman and Group Managing Director are kept separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making.

The Chairman assumes responsibility for the oversight of the Board while the Group Managing Director takes responsibility for the implementation of Board decisions and for all operational matters in the Group. The Chairman provides leadership to the Board. He sets the meeting agenda in consultation with the Group Managing Director and ensures that Directors are provided with accurate, timely and clear information, promotes a culture of openness and debate at the Board as well as to ensure effective communication with the shareholders. In addition, the Chairman encourages constructive relations within the Board and between the Board and Management to facilitate effective contribution of the Non-Executive Directors in particular, in order to promote high standards of corporate governance.

Mr. Goh Peng Ooi, Mr. Tan Teik Wei and Dr. Kwong Yong Sin are not related.

*Guideline 3.3: Lead Independent Director*
The Board is of the view that the separation of the role of the Chairman and that of the Group Managing Director and the chairing of the ARC, NC, RC and SIC by Independent Directors ensures sufficient balance of power and authority in the Board. Notwithstanding the above, as part of the Board's continuous corporate governance improvement initiatives, the Board appointed Mr. Ong Kian Min as the Lead Independent Non-Executive Director with effect from 1 July 2018. He is available to shareholders where they have concerns for which contact through the normal channels of the Group Executive Chairman, Group Managing Director or Group Head of Finance has failed to resolve or is inappropriate.

*Guideline 3.4: Independent Directors' Meeting*
The Independent Directors meet among themselves when necessary, without the presence of the other Directors, and provide feedback to the Chairman of the Board after such meetings as appropriate. In addition, Independent Directors also meet on ad hoc basis with the Group Managing Director and senior management team as well as other Non-Executive Directors to discuss pertinent issues.

## Principle 4: Board Membership

**There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.**

*Guideline 4.1: Nominating Committee*
The NC comprises Mr. Goh Peng Ooi, Mr. Lim Kok Min, Professor Tan Sri Dato' Dr. Lin See Yan and Ms. Yau Ah Lan (a.k.a. Datuk Yvonne Chia) with Mr. Ong Kian Min, who is the Lead Independent Non-Executive Director, as its Chairman. Ms. Goh Shiou Ling ceased to be a NC member on 30 June 2018. Four out of five members are Independent Directors.

The NC is guided by its written Terms of Reference which stipulates that its principal roles include, inter alia, maintaining a formal and transparent process for the appointment of new Directors to the Board and determining the independence of Directors and the appropriate Board size.

*Guideline 4.2: Responsibilities of NC*
The responsibilities of the NC are to:
(i) review the nomination for appointments and re-appointments of members of the Board and the various Board Committees for the purpose of proposing such nomination to the Board for approval having regard to the individual director's experience, participation, commitment, contributions and performance;
(ii) review the Board's structure, size, diversity and composition including the review of board succession plans for Directors, in particular the Chairman and for the Group Managing Director;
(iii) determine annually whether or not a Director is independent, in particular Directors who have served on the Board beyond nine years;
(iv) assess on whether or not a Director is able to and has been adequately carrying out his duties as a Director having regard to the individual director's attendance, preparedness, participation and commitment;
(v) oversee the appointment and induction process of new Directors;
(vi) assess the effectiveness of the Board as a whole and the Board Committees, as well as the contributions of the Chairman and individual Directors; and
(vii) review the training and professional development programs for the Board.

*Guideline 4.3: NC to determine Directors' Independence*
The NC conducts an annual review of the independence of the Directors as mentioned under Guidelines 2.3 and 2.4 above based on their declarations of independence (or otherwise), which were drawn up based on the guidelines provided under the Code. The NC will also assess and determine a Director's independence as and when required.

*Guideline 4.4: Commitment of Directors with Multiple Board Representations*
Currently, the Board has not determined the maximum number of listed board representations which any Director may hold. The NC and Board are of the view that the effectiveness of each Director is best assessed by the qualitative assessment of the Director's contributions rather than a numerical limit on the number of directorships. The NC is of the view that by setting a numerical limit, individuals of high calibre who have the capacity to contribute to the Company may be unnecessarily excluded. In assessing the Director's contribution and ability to carry out his duties as a Director of the Company, the NC takes into account the individual Director's actual conduct on the Board, ability and availability to provide valuable insights and advice, devotion of time and attention to the Company and the level of commitment and complexity of the Director's other principal commitments and directorships. All directors are required to confirm annually to the Company his/her ability to devote sufficient time and attention to the Company's affairs, despite his/her other commitments.

The NC has reviewed each Director's outside directorships, their principal commitments and attendance and contributions to the Company. Despite the multiple directorships of some Directors, the NC is satisfied that these Directors are able to and have adequately performed their duties as Directors of the Company.

*Guideline 4.5: Appointment of Alternate Directors*
The Board does not have any alternate Directors.

## Principle 4: Board Membership (cont'd)

*Guideline 4.6: Process of Selection, Appointment and Re-appointment of Directors*
The NC is responsible for identifying candidates and reviewing nominations for the appointment and re-appointment of directors for recommendation to the Board. The NC will consider the Company's current Board in term of its size, composition, collective skills and experience and diversity in the light of the Company's current and future needs. Potential candidates are selected through internal resources, referrals from existing Directors and/or external search. Candidates should possess relevant experience and have the calibre to contribute to the Group and its businesses, and will complement the skills and competencies and attributes of the existing Board and the requirements of the Group. The candidate must be a person of integrity and must be able to commit sufficient time and attention to the affairs of the Company, especially if he/she is serving on multiple boards.

The Company believes that board review should be an ongoing process to ensure the Board collectively has the required skills, diversity and experience to meet the changing needs of the Company and its businesses. The Company's existing practice requires one-third of Directors (excluding the Group Managing Director) to retire and be subjected for re-election by the shareholders at every Annual General Meeting ("AGM"). Accordingly, no Director shall stay in office for more than three years without being re-elected by the shareholders. All Directors to be re-elected have to be assessed and recommended by the NC before submission to the Board for approval. In recommending a Director for re-election and re-appointment to the Board, the NC takes into consideration the Directors' contribution and performance at Board and Board Committee meetings (such as attendance, preparedness, participation and candour) and also reviews their independence.

The NC has nominated and recommended Mr. Goh Peng Ooi, Dr. Kwong Yong Sin and Mr. Ong Kian Min to be retired by rotation pursuant to the Bye-Law 86(1) of the Company's Bye-Laws and Mr. Tan Teik Wei to be retired pursuant to the Bye-law 85(6) of the Company's Bye-Laws at the forthcoming AGM. Taking into consideration their commitment and performance, the NC has recommended that these Directors retiring by rotation be nominated for re-election. The Board has accepted the recommendation and these Directors, being eligible for re-election, have offered themselves for re-election.

There are no relationships including immediate family relationship between Mr. Goh Peng Ooi, Dr. Kwong Yong Sin, Mr. Ong Kian Min and Mr. Tan Teik Wei who submitted themselves for re-appointments, with the other Directors, the Company and its 10% shareholders (as defined in the Code) except for Ms. Goh Shiou Ling who is the daughter of Mr. Goh Peng Ooi.

All members of the NC, including its Chairman who are seeking re-appointment abstained from the voting or review process of any matters in connection with the assessment of his performance for re-appointment as Director of the Company.

*Guideline 4.7: Information on Directors*
The date of Director's initial appointment, last re-election and their directorships and other principal commitments are set out under the Board of Directors section of this annual report.

## Principle 5: Board Performance

**There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.**

*Guideline 5.1: Board Performance*
The Board has a formal process, which is overseen by the NC, for assessing the effectiveness of the Board as a whole and the Board Committees, as well as the contributions of the Chairman and individual Directors. The evaluation exercise is carried out annually by way of questionnaires for self and peer assessments as well as for the Board as a whole and Board Committees respectively, with feedback on the key areas of improvement. The NC determines, and the Board approves the assessment criteria, which include Board size and composition, independence of the Board, information management, Board operation, Company's performance measurement, Board Committee effectiveness, succession planning, risk management and internal control system and overall Board dynamics. The NC reviews the consolidated assessment compiled by the Company Secretary and in consultation with the Board, determines appropriate improvement actions.

The NC has assessed the current Board's performance to-date, as well as the performance of each individual Director and is of the view that the performance of the Board as a whole, its Board Committees and of each individual Director were satisfactory.

## Principle 5: Board Performance (cont'd)

*Guideline 5.2: Performance Criteria for Board Evaluation*
In assessing the performance of the Board and Board Committees, the assessment criteria include factors such as Board size and composition, independence of the Board, information management, Board operation, Company's performance measurement, Board committee effectiveness, succession planning, risk management and internal control system and overall Board dynamics, and quantitative and other financial criteria as approved by the Board.

*Guideline 5.3: Evaluation of Individual Director*
Evaluation of individual Director's performance is a continuous process. In evaluating the performance of each individual Director, the assessment criteria include factors such as each Director's commitment of time for meetings of the Board, Board Committees and general meetings, participation, contribution and deliberation of issues at meetings, knowledge and understanding of the Group's dynamics, skills and competencies and interaction with fellow Directors, Management and other relevant parties. The performance of individual Director is taken into account in their re-appointment or re-election.

## Principle 6: Access to Information

**In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.**

*Guideline 6.1: Board's Access to Information*
To enable the Board to fulfil its responsibilities, Management provides complete, accurate and adequate information to the Board in a timely manner. To allow Directors sufficient time to prepare for an informed discussion, all Board and Board Committee papers are distributed to Directors one week in advance of the meeting. During the Board and Board Committee meetings, key management personnel are invited to attend the Board and Board Committee meetings in order to make the appropriate presentations and to answer any queries from the Directors, if necessary. Any additional material or information requested by Directors is promptly furnished.

The Board, its Board Committees and every Director have separate and independent access to Management and are free to request for additional information as needed to make informed decisions.

*Guideline 6.2: Provision of Information*
In addition to the annual budget and business plans submitted to the Board for approval, Directors are provided with management reports, analysis of operational performance, explanation on variances between the actual results against the corresponding period of the previous year and against the budget, cash flow forecast and funding position regularly. Furthermore, Directors are provided with the background and explanatory information which includes but not limited to the facts, risk assessment, scenario analysis, financial impact, professional advice, management recommendations and related materials on management's proposals for the Board and Board Committees' decision-making. Directors are also provided with relevant regulatory updates from time to time.

*Guideline 6.3: Board's Access to Company Secretary*
The Company Secretary, under the direction of the Chairman, facilitates good information flows within the Board and its Board Committees, between the Board and Management, and advise the Board on all legal and corporate governance matters. The Company Secretary also facilitates the orientation of new Directors, assists in arranging professional development and training for the Directors as required and acts as the primary channels of communication between the Company and the SGX-ST. The Directors have separate and independent access to the Company Secretary at all times.

*Guideline 6.4: Appointment and Removal of Company Secretary*
The appointment and removal of the Company Secretary is subject to the approval of the Board.

*Guideline 6.5: Board's Access to Independent Professional Advice*
Should Directors, whether as a group or individually, require independent professional advice in the furtherance of their duties, professional advisor will be appointed upon direction by the Board. The cost of such professional advice will be borne by the Company.

## REMUNERATION MATTERS

### Principle 7: Procedures for Developing Remuneration Policies

**There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.**

*Guideline 7.1: Remuneration Committee*
The RC is chaired by Tan Sri Dato' Dr. Mohd Munir bin Abdul Majid with effect from 1 July 2018 and comprises Mr. Ong Kian Min, Mr. Lim Kok Min and Ms. Yau Ah Lan (a.k.a. Datuk Yvonne Chia) as members. Professor Tan Sri Dato' Dr. Lin See Yan ceased to be Chairman and member of RC on 30 June 2018. All four RC members are Independent Non-Executive Directors.

The RC is guided by its written Terms of Reference which stipulates that its principal roles include, inter alia, to review and recommend a framework of remuneration for Directors and key management personnel and the specific remuneration packages of Executive Directors and key management personnel, and to ensure that the framework is competitive and sufficient to attract, retain and motivate Directors and key management personnel to deliver long-term shareholders value.

*Guideline 7.2: Remuneration Framework*
To attract, retain and motivate Directors and employees, the RC establishes appropriate remuneration frameworks for the Directors and employees of the Company. Such frameworks are reviewed periodically to ensure that they remain relevant. All aspects of remuneration, including but not limited to Directors' fees, salaries, benefits-in-kind and short-term and long-term incentives, options, share-based incentives and awards are covered by the RC.

Directors' fees for the Chairman and other Directors, and for Directors' participation in Board Committees are reviewed annually. The fees are submitted to shareholders for approval at each AGM. The level of fees takes into account the contribution and responsibilities on the Board and Board Committees, prevailing market conditions and industry norms. For the following FY2020, taking into consideration various factors, the additional responsibilities of Directors and Board Committees, the RC proposed and the Board approved, that the remuneration framework to be revised as follows:

| Roles | Chairman (per annum) | Member (per annum) |
|---|---|---|
| Board of Directors | S$120,000 (unchanged) | S$60,000 (unchanged) |
| Audit and Risk Committee | S$65,000<br>(FY2019: S$65,000; FY2018: S$60,000) | S$35,000<br>(FY2019: S$35,000; FY2018: S$30,000) |
| Strategic Investment Committee | S$50,000<br>(FY2019: S$30,000; FY2018: N/A) | S$30,000<br>(FY2019: S$20,000; FY2018: N/A) |
| Other Committees | S$30,000 (unchanged) | S$20,000<br>(FY2019: S$20,000; FY2018: S$15,000) |
| Special or ad hoc projects | Appropriate fee depending on complexity, as recommended by the RC and approved by the Board to be proposed for shareholders' approval. | |

The RC reviews the remuneration package of the Executive Directors after considering inter alia the achievement of key performance indicators ("KPIs"). In addition, the RC reviews the remuneration of key management personnel, taking into consideration industry norms and individual and the Group's performance for the year. No member of the RC will be involved in deciding his/her own remuneration.

All decisions by the RC are made by a majority of votes of the RC members who are present and voting. Any member of the RC with a conflict of interest in relation to the subject matter under consideration would abstain from voting, approving or making recommendations which would affect the decisions of the RC. The recommendations of the RC are submitted for endorsement by the entire Board.

*Guideline 7.3: RC's Access to Independent Advice*
The RC has full authority to investigate any matter within its Terms of Reference and engage any independent external professional consultant on executive's compensation and remuneration related matters, as and when required, at the Company's expense. The NC will ensure the appointed professional consultant is independent and objective in discharging its services and is not affected by any relationship with the Company. In view of the remuneration framework and internal review process that the Group has in place, the Company has not appointed any professional consultant for FY2019. The RC and Board are of the view that the current remuneration framework is competitive and sufficient to attract, retain and motivate Directors and key management personnel to deliver long-term shareholders value.

## Principle 7: Procedures for Developing Remuneration Policies (cont'd)

*Guideline 7.4: Service Contract*
The RC reviews the Company's obligations of the service agreements of the Executive Directors and key management personnel that would arise in the event of termination of these service agreements to ensure that such service agreements contain fair and reasonable termination clauses. The RC is satisfied that termination clauses therein are fair and reasonable to the respective employment class and are not overly generous.

## Principle 8: Level and Mix of Remuneration

**The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.**

*Guideline 8.1: Performance-linked Remuneration*
In recommending the level and mix of remuneration, the RC seeks to establish a framework for attracting, retaining and motivating directors and employees, aligning the interests of shareholders and promote the long-term success of the Group. The Group aims to link remuneration to individual and corporate performance, and the risk policies and long-term interest of the Group.

The Group's compensation framework comprises fixed and variable components. The variable component comprises short-term and long-term incentives, and is performance related and linked to the Group and individual performance. In the selection of short-term and/or long-term incentives for each key executive, the Group aims to align variable incentives with sustainable value creation over the longer term as well as to retain key talent. The current mix of the fixed component and short-term and long-term incentives is considered appropriate for the Group.

In assessing the performance of the Executive Directors and key management personnel, KPIs used include short-term and long-term net profit, return on assets, return on equity, earnings per share and dividend payout ratio targets.

*Guideline 8.2: Long-Term Incentive Scheme*
The Group's long-term incentive scheme comprises performance shares award to eligible directors and employees under the Silverlake Axis Ltd. Performance Share Plan ("PSP"). The RC evaluates the costs and benefits of PSP, reviews the eligibility of Directors and key management personnel for the PSP and determines the award date, performance period, number of shares, performance targets, vesting schedule and any other condition deemed necessary including any restrictions against the disposal or sale in the shares. In all PSP awards, Directors and key management personnel are encouraged to hold their shares beyond the vesting period, subject to the need to finance any cost of acquiring the shares and associated tax liability.

Details of the PSP are disclosed in Guideline 9.5 of this Report.

*Guideline 8.3: Remuneration of Non-Executive Directors*
The fee structure for Directors comprises basic fees and additional fees for serving on Board Committees. The fee structure for Non-Executive Directors is presented under Guideline 7.2 of this Report. The RC and the Board are of the view that the remuneration of the Directors is appropriate and not excessive taking into account factors such as effort and time spent of the Directors and the complexity of the Group's business. The fees are subject to the approval of shareholders at the AGM on the annual basis.

To better align the interests of Non-Executive Directors with the interests of shareholders, the RC also reviews the eligibility of Non-Executive Directors for PSP from time to time. In determining the fee and PSP, the RC ensures that the Non-Executive Directors are not over-compensated to the extent that their independence is compromised.

*Guideline 8.4: Contractual Provisions to Reclaim Incentive Components of Remunerations*
Having reviewed the variable components of the Executive Directors and key management personnel, the RC is currently of the view that there is no requirement to institute contractual provisions in the terms of employment to reclaim incentive components of their remuneration paid in prior years.

## Principle 9: Disclosure on Remuneration

**Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration and the procedure for setting remuneration in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.**

*Guidelines 9.1, 9.2 and 9.3: Remuneration Report*

**Directors' Remuneration**

The Executive Directors have entered into service agreements with the Company. The service agreements cover the terms of employment, specifically salary and other benefits-in-kind.

The remuneration of Non-Executive Directors is determined by their contribution and responsibilities on the Board. Both Executive and Non-Executive Directors receive fixed fees which comprise base fee and additional fees for appointment and responsibilities at Board Committees.

The remuneration of Directors for the current financial year is set out below:

| Name | Directors Fees S$ | Salary [1] S$ | Benefits [2] S$ | Bonus S$ | Fair Value of Share Plan [3] S$ | Total S$ |
|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | |
| Goh Peng Ooi | 140,000 | 83,485 | 17,873 | - | - | 241,358 |
| Dr. Kwong Yong Sin | 60,000 | 592,745 | 9,276 | - | - | 662,021 |
| Goh Shiou Ling | 60,000 | 299,000 | - | - | - | 359,000 |
| Tan Teik Wei [4] | - | - | - | - | - | - |
| **Non-Executive Directors** | | | | | | |
| Independent | | | | | | |
| Ong Kian Min | 205,000 | - | - | - | 109,831 | 314,831 |
| Professor Tan Sri Dato' Dr. Lin See Yan | 140,000 | - | - | - | 109,831 | 249,831 |
| Lim Kok Min | 165,000 | - | - | - | 109,831 | 274,831 |
| Tan Sri Dato' Dr. Mohd Munir bin Abdul Majid | 155,000 | - | - | - | 109,831 | 264,831 |
| Yau Ah Lan (a.k.a. Datuk Yvonne Chia) | 165,000 | - | - | - | 109,831 | 274,831 |
| See Chuang Thuan | 80,000 | - | - | - | - | 80,000 |
| Non-Independent | | | | | | |
| Voon Seng Chuan | 80,000 | - | - | - | - | 80,000 |
| Total Directors' Remuneration | 1,250,000 | 975,230 | 27,149 | - | 549,155 | 2,801,534 |

Note:

(1) Salary includes Provident Fund contributions.
(2) Benefits include car benefits and leave passage.
(3) The Share Plan was in relation to the share awarded and released during the financial year to Non-Executive Directors. Details of the PSP are disclosed below and in Note 28(d) to the financial statements.
(4) Mr. Tan Teik Wei was appointed as Director with effect from 1 July 2019.

**Remuneration of Key Management Personnel**

The remuneration of key management personnel comprises the basic salary and variable components. The RC seeks to ensure that the level and mix of remuneration is competitive and relevant in finding a balance between current versus long-term objectives. The RC takes into consideration industry norms, corporate performance and individual annual performance appraisal, when determining annual remuneration packages. Short-term and long-term incentives payments are paid upon the achievement of individual and Group performance targets.

## Principle 9: Disclosure on Remuneration (cont'd)

*Guidelines 9.1, 9.2 and 9.3: Remuneration Report (cont'd)*
**Remuneration of Key Management Personnel (cont'd)**

There were thirteen key management personnel (who are not Directors of the Company) in the Group in FY2019. The Company is of the opinion that it is not in the best interest of the Company to disclose the details of remuneration of key management personnel due to the competitiveness of the industry for key talent and in the interest of maintaining good morale within the Group. The band of remuneration and mix of remuneration by percentage (%) paid to the five top-earning key management personnel for the current financial year is presented as follows:

| Name | Percentage of Fixed Remuneration (consists of salary, allowance, benefits-in-kind and contributions to provident fund) | Percentage of Variable Remuneration (consists of incentives and share-based incentives award) |
|---|---|---|
| **S$250,001 to S$500,000** | | |
| Fabian Lum Wai Kit | 99% | 1% |
| Jean Aw Peng Mei | 95% | 5% |
| **S$500,001 to S$750,000** | | |
| Tan Teik Wei [(1)] | 100% | - |
| Choo Soo Ching | 89% | 11% |
| Lim Ep Ban | 100% | - |

(1) Mr. Tan Teik Wei joined the Group in April 2018 as Managing Director of Core Banking Business and was a key management personnel. He was appointed as the Company's Director with effect from 1 July 2019.

The annual aggregate remuneration paid to all the abovementioned key management personnel of the Group is RM7,888,477 in FY2019 (FY2018: RM5,464,720).

The RC has reviewed the level and mix of remuneration for the Directors and key management personnel of the Company for FY2019 to ensure that the remuneration commensurate with their performance whilst taking into account the industry norms and corporate performance of the Group as a whole during the year.

There are no terminations, retirement and post-employment benefits granted to Directors or the key management personnel.

*Guideline 9.4: Employee Related to Directors or Group Managing Director*
Ms. Goh Shiou Ling, who is Executive Director of the Company, is the daughter of Mr. Goh Peng Ooi, the Group Executive Chairman and a substantial shareholder of the Company.

Save as disclosed aforesaid, there was no employee in the Group who is an immediate family member of a Director or the Group Managing Director whose remuneration exceeded S$50,000 during the financial year under review.

*Guideline 9.5: Employee Share Scheme*
**Performance Share Plan ("PSP")**

The PSP was approved by the Company's shareholders at the Special General Meeting held on 28 October 2010 under which awards ("Awards") of fully paid shares will be issued free of charge to eligible employees, Executive Directors and Non-Executive Directors of the Company and its subsidiaries, provided certain prescribed performance targets are met. The PSP serves as long-term incentive tool to reward, retain and motivate employees to improve their performance.

The aggregate number of shares which may be available for Awards under the PSP, when aggregated with the aggregate number of shares available under any other share-based schemes of the Company, will not exceed 5% of the total issued shares of the Company (excluding treasury shares) from time to time. The PSP shall continue to be in force at the discretion of the PSP Committee, subject to the maximum period of 10 years commencing on 28 October 2010. The PSP Committee comprises Mr. Goh Peng Ooi, Professor Tan Sri Dato' Dr. Lin See Yan, Mr. Ong Kian Min and Mr. Lim Kok Min.

The PSP Committee reviews the eligibility of Directors and employees for the PSP and determines the award date, performance period, number of shares, performance targets, vesting schedule and any other condition deemed necessary including any restrictions against the disposal or sale in the shares.

## Principle 9: Disclosure on Remuneration (cont'd)

*Guideline 9.5: Employee Share Scheme (cont'd)*

**PSP Grant to Independent Non-Executive Directors**
On 30 January 2019, 1,000,000 shares were awarded and granted to five Independent Non-Executive Directors, Mr. Ong Kian Min, Professor Tan Sri Dato' Dr. Lin See Yan, Mr. Lim Kok Min, Tan Sri Dato' Dr. Mohd Munir bin Abdul Majid and Ms. Yau Ah Lan (a.k.a. Datuk Yvonne Chia), at 200,000 shares each. The shares awards are based on the service and contributions made by each Independent Non-Executive Director to the success of the Company.

The shares awarded are subject to restrictions against any disposal or sale and/or other dealings in the shares for a period of one year from the applicable release date.

**PSP Grant to Group Managing Director**
In FY2015, the Company awarded and granted PSP shares of up to 10,000,000 to the Group Managing Director, Dr. Kwong Yong Sin based on the achievement of prescribed performance targets over a five-year performance period from FY2014 to FY2018, with the first 2,000,000 shares vested on 5 January 2015. Taking into account the bonus issue on 8 July 2015, the number of outstanding share awards for the remaining four-financial year performance period had been adjusted from 8,000,000 shares to 9,600,000 shares in FY2016.

The shares awarded are subject to restrictions against any disposal or sale and/or other dealings in the shares for a period of one year from the applicable release date.

The details of the PSP Grant are as follows:

| Name of participant | Shares granted | Balance as at the beginning of financial year | Shares released during financial year | Shares lapsed during financial year | Balance as at the end of financial year |
|---|---|---|---|---|---|
| Dr. Kwong Yong Sin | 11,600,000 | 2,400,000 | 1,800,000 | 600,000 | - |

Save as disclosed below, no Director or employee of the Group received 5% or more of the total number of shares available under the PSP:

| Name of participant | Aggregate PSP granted since commencement of PSP to the end of the financial year | Aggregate PSP released since commencement of PSP to the end of the financial year | Aggregate PSP lapsed since commencement of PSP to the end of the financial year | Aggregate PSP outstanding as at the end of the financial year |
|---|---|---|---|---|
| Dr. Kwong Yong Sin | 17,850,000 | 16,650,000 | 1,200,000 | - |

Details of PSP are disclosed in Note 28(d) to the financial statements.

*Guideline 9.6: Link between Remuneration and Performance*
The information on the link between remuneration paid to the Executive Director and key management personnel, and performance is set out under Guideline 8.1 of this Report.

## ACCOUNTABILITY AND AUDIT

## Principle 10: Accountability

**The Board should present a balanced and understandable assessment of the company's performance, position and prospects.**

*Guideline 10.1: Accountability for Balanced Assessment*
In discharging its responsibility to provide a timely, balanced and understandable assessment of the Company's performance, position and prospects, the Board ensures that the Company has in place guidelines and procedures for internal reporting and decision making.

## Principle 10: Accountability (cont'd)

*Guideline 10.1: Accountability for Balanced Assessment (cont'd)*
The Management provides the Board with management reports and financial accounts on a regular basis and as the Board may require, so as to enable it to make a balanced and informed assessment of the Group's performance, financial position and prospects on a quarterly basis. The Board approves the dissemination of the Group's quarterly and full year financial results and annual reports, which present a balanced and informed assessment of the Group's performance, position and prospects, via the Singapore Exchange Network ("SGXNet") and the Company's website within the prescribed timeframe.

In addition, the Group Managing Director and Group Head of Finance, based on the assurance from the business and finance head of all individual subsidiaries, provide assurance to the Board on the integrity of the quarterly financial statements of the Group. Based on this representation, the Board issues negative assurance statements in its quarterly financial results announcements, confirming to the best of its knowledge that nothing had come to its attention which might render the financial statements to be false or misleading in any material aspect.

*Guideline 10.2: Compliance with Legislative and Regulatory Requirements*
The Board is updated on changes in legislation and regulatory compliance by Management, the Company Secretary and external auditors to ensure that the Group complies with the relevant regulatory requirements. The Company believes that prompt and full compliance with statutory reporting requirements is fundamental to maintain shareholders' confidence and trust.

*Guideline 10.3: Management Accounts*
The Company recognises the importance of providing the Board members with a continual flow of relevant information on an accurate and timely basis so that they may effectively discharge their duties. On a regular basis, Board members are provided with business and financial reports comparing actual performance with the budget, highlights on key business indicators and other major issues.

## Principle 11: Risk Management and Internal Controls

**The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.**

*Guideline 11.1: Risk Management and Internal Control Systems*
The Board has overall responsibility for the governance of risk management and internal control system. The Board believes in the importance of maintaining a sound system of risk management and internal controls to safeguard shareholders' interest and the Group's assets. The Board, assisted by the ARC, oversees the Management in the design, implementation and monitoring of the risk management and internal control systems, and also determines the Company's risk appetite and tolerance levels.

Risk management is an essential part of the Group's business planning and monitoring process. The Group has adopted a Group Risk Management Framework ("Framework") for the identification, assessment and management of risks within the Group. Management and all business and functional units are responsible for the day-to-day identification, managing and monitoring of risks. Significant business risks and their respective risk exposure and tolerance ratings and mitigating control measures are summarised in the Key Risk Profile and reported to the ARC and the Board regularly. The Key Risk Profile is regularly reviewed, addressed and reported to the ARC and the Board as and when required. Business and finance heads of all subsidiaries are required to provide assurance to the Company on the adequacy and effectiveness of the risk management and internal controls, addressing financial, operational and compliance risks, including information technology risks on a quarterly basis. Risk management is also embedded into the day-to-day decision-making and operational activities.

The system of internal control and risk management provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen. However, the Board notes that no system of internal controls and risk management can provide absolute assurance against the occurrence of material errors, poor judgement in decision making, human error, losses, fraud or other irregularities.

## Principle 11: Risk Management and Internal Controls (cont'd)

*Guideline 11.2: Adequacy and Effectiveness of Risk Management and Internal Control Systems*
The Board regularly reviews the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls. The ARC, with the assistance of the internal auditors, reviews the adequacy and effectiveness of the Company's internal control systems, including financial, operational, compliance and information technology controls and risks management policies and systems established by Management on annual basis. In addition, the external auditors will highlight any material control weaknesses within the Group discovered in the course of the statutory audit. Any material findings from both the internal and external auditors together with the improvement recommendations are reported to the ARC. The ARC will review the internal and external auditors' comments and findings and ensure there are adequate follow-up actions.

*Guideline 11.3: Board's Comments on Adequacy and Effectiveness of Internal Controls*
For the FY2019, the Board has received assurance from the Group Managing Director and the Group Head of Finance:
(a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
(b) that the Group's risk management and internal control systems (including financial, operational, compliance and information technology controls) are adequate and effective.

Based on the risk management framework and internal controls established and maintained by the Group, work performed by the internal auditors and external auditors (in the course of their annual statutory audit), and reviews performed by Management and the Board, the Board with the concurrence of the ARC, is of the opinion that the Group's risk management and internal controls, addressing financial, operational and compliance risks, including information technology risks, which the Group considers relevant and material to its operations, were adequate and effective for the FY2019.

*Guideline 11.4: Risk Committee*
The responsibility of overseeing the Company's risk management framework and policies is undertaken by the ARC with the assistance of the internal auditors. Having considered the Group's business and operations as well as its existing internal control and risk management systems, the Board is of the view that a separate risk committee is not currently required. The Audit Committee was renamed as Audit and Risk Committee with effect from 1 July 2018.

## Principle 12: Audit Committee

**The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.**

*Guidelines 12.1 and 12.2: ARC Membership and Expertise*
The ARC is chaired by Mr. Ong Kian Min and comprises Mr. Lim Kok Min, Tan Sri Dato' Dr. Mohd Munir bin Abdul Majid and Ms. Yau Ah Lan (a.k.a. Datuk Yvonne Chia) as members. All four ARC members are Independent Non-Executive Directors. Ms. Yau Ah Lan (a.k.a. Datuk Yvonne Chia) was appointed as ARC member on 1 July 2018 and Professor Tan Sri Dato' Lin See Yan ceased to be an ARC member on 30 June 2018. The Board considers Mr. Ong Kian Min, who has sufficient accounting and financial management experience, well qualified to chair the ARC. The ARC members have the appropriate professional experience in accounting and financial management. The Board is satisfied that the ARC members are appropriately qualified to discharge their responsibilities. The key terms of reference of the ARC is set out under Guideline 12.3 & 12.4 of this Report.

*Guidelines 12.3 and 12.4: Roles, Responsibilities and Authority of ARC*
The ARC is guided by its Terms of Reference which stipulate that its principal functions include, inter alia:
- review the scope and results of the external audit work, cost effectiveness of the audit, and the independence and objectivity of the external auditors;
- review the Group's quarterly and full year financial statements, the accounting principles adopted, significant financial reporting issues and judgements and the external auditor's report on the financial statements of the Group before submission to the Board for approval;
- review and report to the Board at least annually on the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls and risk management systems;
- review the adequacy and effectiveness of the internal audit function, including the adequacy of internal audit resources and its appropriate standing within the Group, as well as the scope and the results of the internal audit procedures;
- recommend to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors; and approving the remuneration and terms of engagement of the external auditors;
- review Interested Person Transactions in accordance with the requirements of the Listing Manual of the SGX-ST; and
- review the effectiveness of the Group's whistle-blowing policy.

## Principle 12: Audit Committee (cont'd)

*Guidelines 12.3 and 12.4: Roles, Responsibilities and Authority of ARC (cont'd)*
In the review of the financial statements for FY2019, the ARC has discussed with the Management and the external auditors on significant issues and assumptions that impact the financial statements. The most significant matters, as outlined below, have also been included in the external auditor's report to the members under Key Audit Matters on pages 80 to 85 of this Annual Report. Following the review, the ARC was satisfied that these matters have been properly dealt with and recommended the Board to approve the financial statements.

| Key Audit Matters | How ARC reviewed these matters and what decisions were made |
|---|---|
| Revenue and cost of sales from software licensing and software project services | The ARC reviewed the appropriateness and reasonableness of management's assessment of software licensing and software project services revenue and cost including, applications of IFRS 15 Revenue from Contracts with Customers, project cost estimates, assumptions and the appropriateness and adequacy of disclosures in the financial statements. |
| Impairment assessment of goodwill | The ARC reviewed the appropriateness and reasonableness of management's goodwill impairment assessment, including the methodology, assumptions, cash flow forecasts, long-term growth rate and discount rate. |
| Pricing and disclosure of related parties and related party transactions | The ARC reviewed interested party transactions on a quarterly basis and as and when required to ensure compliance with mandates granted by the shareholders, including the appropriate disclosures in quarterly results announcement and annual report. The Group has processes and controls in place to identify related parties and related party transactions to ensure compliance with mandates granted by the shareholders. |
| Impairment assessment on investments in subsidiaries | The ARC reviewed the appropriateness and reasonableness of management's impairment assessment of investments in subsidiaries including the methodology, assumptions, cash flow forecasts, long-term growth rate and discount rate. |
| Business Combination: Accounting for acquisition of SIA X Infotech Group | The ARC reviewed the appropriateness and reasonableness of the accounting treatment and the valuation of the call and put options arising from the acquisition and ensure compliance with IFRS 3 Business Combinations. |
| Business Combination: Fair value of contingent considerations payable | The ARC reviewed the appropriateness and reasonableness of management's estimated probability of achieving the financial targets by assessing the key assumptions on revenue, gross profit margin, operating expenses, taxes and discount rate. |

The ARC has the authority to conduct or authorise investigations into any matters within its Terms of Reference. The ARC also has full access to and the co-operation of Management, discretion to invite any director or executive officer to attend its meetings and reasonable resources to enable it to discharge its duties properly.

*Guideline 12.5: Meetings with External and Internal Auditors*
The ARC meets with the external and internal auditors, in the absence of Management at least once a year. The external auditors have unrestricted access to the ARC.

*Guideline 12.6: Independence of External Auditors*
The ARC has reviewed the non-audit services provided by the external auditors as part of the ARC's assessment of the external auditors' independence. The aggregate amount of audit and non-audit fees payable to the external auditors of the Group for FY2019 were RM2,326,019 and RM503,390 (FY2018: RM2,255,204 and RM769,449) respectively. The non-audit services provided by the external auditors of the Group mainly related to tax services, sustainability reporting and due diligence fees for potential acquisitions. The ARC is satisfied that the nature and extent of such services would not prejudice the independence and objectivity of the external auditors.

Both the ARC and the Board have reviewed the appointment of different auditors for its subsidiaries and joint venture and are satisfied that the appointment of different auditors would not compromise the standard and effectiveness of the audit of the Company. The Company is in compliance with Rules 712 and 715 of the Listing Manual in relation to the appointment of its auditor and in compliance with Rule 716 of the Listing Manual in relation to its independent auditors.

The ARC has recommended to the Board the re-appointment of Messrs Ernst & Young as auditors of the Company.

## Principle 12: Audit Committee (cont'd)

*Guideline 12.7: Whistle-blowing Policy*
The ARC has incorporated a whistle-blowing policy into the Group's internal control procedures to provide a channel for staff to report in good faith and in confidence, without fear of reprisals, concerns about suspected fraud, corruption, dishonest practices or other similar matters. The objective of the policy is to ensure an independent investigation of such matters and appropriate follow-up actions. Employees are encouraged to report possible improprieties in financial reporting or other improper business conduct they encounter in the course of work through appropriate channel. The Company treats all information received confidentially and protects the identity of all whistle-blowers.

There was no reported incident pertaining to whistle-blowing for FY2019.

*Guideline 12.8: ARC's Activities*
During FY2019, the ARC met four times. The ARC also had one meeting with external auditors and internal auditors separately, without the presence of Management.

The ARC keeps abreast of relevant changes to accounting standards, the Listing Manual and other issues through attendance at relevant seminars or talks, articles and news circulated by the Company Secretary and Management and updates by the external auditors and internal auditors at ARC Meetings.

*Guideline 12.9: ARC Member Restriction*
No former partner or director of the Company's existing auditing firm or auditing corporation is a member of the ARC.

## Principle 13: Internal Audit

**The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.**

*Guidelines 13.1 and 13.2: Internal Audit Function*
The Group's in-house Internal Audit and Compliance function is responsible for reviewing, monitoring and assessing the system of internal control and is independent of activities it audits. The Internal Audit and Compliance function, headed by the Head of Internal Audit and Compliance, reports directly to the ARC and administratively reports to Group Managing Director. The Internal Audit and Compliance function has unfettered access to all the Group's documents, records, properties and personnel, including direct access to the ARC.

The ARC approves the hiring, evaluation and compensation of the Head of Internal Audit and Compliance. The ARC ensures that the Internal Audit and Compliance function is adequately resourced, has appropriate standing within the Group and is able to perform its functions effectively and objectively.

*Guidelines 13.3 and 13.4: Internal Audit Resources and Qualification*
The Internal Audit and Compliance function is adequately staffed with four suitably qualified and experienced professionals with a range of three to thirty-one years of relevant audit experience, and adopts the standard set by internationally recognised professional bodies, including the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The Head of Internal Audit and Compliance is a Certified Internal Auditor from the Institute of Internal Auditors. The internal auditors continuously maintain their professional competency through training programmes, conferences and seminars.

*Guideline 13.5: Adequacy and Effectiveness of Internal Audit Function*
The internal audit plan, which focuses on material internal controls, including financial, operational, compliance and information technology controls across the Group's business, is submitted to the ARC for its review and approval at the beginning of each financial year. Periodic internal audit reports are submitted to the ARC detailing the internal auditor's progress in executing the internal audit plan. All audit findings and recommendations made by the internal auditor are reported to the ARC. The internal auditors follow up on all recommendations by the internal auditors to ensure management has implemented them on a timely basis and reports the results to the ARC every quarter.

The ARC reviews the adequacy and effectiveness of the internal audit function on an on-going basis, to ensure that internal audit function remains effective and is adequately staffed. The ARC is satisfied that the Internal Audit and Compliance function has adequate resources to perform its functions effectively.

## SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

### Principle 14: Shareholder Rights

**Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.**

*Guideline 14.1: Sufficient Information to Shareholders*
The Company recognises the shareholders' rights to be sufficiently informed of changes in the Company or its business that would materially affect the price or value of its shares. The Company keeps shareholders fully informed of information that may have a material effect on the price or value of the Company's securities by timely disclosure of information through SGXNet, press releases, analyst briefings and the Company's website, as well as through the AGM.

*Guideline 14.2: Opportunity for Shareholders to Participate and Vote at General Meetings*
The Company ensures that shareholders have the opportunity to participate effectively and vote at general meetings. Shareholders are informed of general meetings through reports or circulars sent to all shareholders in addition to notices published in the newspapers, Company's announcements via SGXNet and the Company's website. Resolutions tabled at general meetings are passed through a process of voting by poll which procedures are clearly explained by the scrutineers at such general meetings.

*Guideline 14.3: Proxies for Nominee Companies*
Shareholders may appoint up to two proxies to attend and vote on their behalf. Pursuant to the introduction of the multiple proxies regime under the Singapore Companies Act and the amendments of the Company's Bye-Laws at the 2017 AGM, shareholders who are relevant intermediaries (i.e. banks, capital markets services license holders which provide custodial services for securities and the Central Provident Fund Board) are allowed to appoint more than two proxies to attend, speak and vote at the general meetings, but each proxy must be appointed to exercise the rights attached to a different share or shares held by the relevant shareholder.

### Principle 15: Communication with Shareholders

**Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.**

*Guideline 15.1: Communication with Shareholders*
The Company is committed to actively engaging its shareholders and has put in place an investor relations policy to promote regular, effective and fair communication with shareholders. All material information and financial results are released through SGXNet, press releases, analyst briefings and the Company's website in a clear, detailed and timely manner.

The Company's investor relations contact detail is provided in the Company's website www.silverlakeaxis.com as the communication channel for shareholders to raise queries. The Company's website also lists the Company's major past and future corporate events and investor conferences.

*Guideline 15.2: Timely Information to Shareholders*
Regular meetings are held with investors, analysts and fund managers to keep the market updated on the Group's corporate developments and financial performance. The Company does not practise selective disclosure and is mindful of the remedial action required to make public disclosure as soon as practicable, should there be an event of inadvertent disclosure. Price-sensitive information is first publicly released via SGXNet, either before the Company meets with any group of investors or analysts or simultaneously with such meetings. Corporate presentation slides are posted in the Company's website immediately after briefings with analysts.

*Guidelines 15.3 and 15.4: Regular Dialogue and Understanding Views of Shareholders*
To promote a better understanding of shareholders' views, the Board actively encourages shareholders to participate in the Company's general meetings. These meetings provide excellent opportunities for the Company to obtain shareholders' views on value creation. Furthermore, Management would meet analysts and fund managers as appropriate.

*Guideline 15.5: Dividend Policy*
The Company has established a policy on the payment of dividends. Barring any unforeseen circumstances, the Company expects to pay out not less than 40% of the Group's net profit as dividends, taking into consideration various factors including expansion plans and funding requirements of the Company.

## Principle 16: Conduct of Shareholder Meetings

**Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.**

*Guideline 16.1: Effective Shareholders Participation*
The Company encourages shareholders to participate effectively and vote at general meetings of the Company. The meetings are held in a central location in Singapore to ensure convenient access for shareholders. Shareholders are informed of shareholders' meetings through notices published in the newspapers and notice of meetings, together with explanatory notes or a circular, sent to all shareholders on a timely basis. All registered shareholders are invited to attend and participate actively in the general meetings and are given the opportunity to seek clarification or question the Group's strategic direction, business, operations, performance and proposed resolutions. As the authentication of shareholder identity and other related security issues still remain a concern, the Company does not practise voting in absentia by mail, email or fax.

*Guideline 16.2: Separate Resolutions at General Meetings*
Separate resolutions are proposed on each substantially separate issue.

*Guideline 16.3: Attendees at General Meetings*
The Directors including the Chairman of the Board, Group Managing Director and the Chairmen of the various Board Committees together with the Company Secretary are present to address any question or feedback from the shareholders at the AGM and thereafter, including those pertaining to the proposed resolutions before the resolutions are voted on. The external auditors are also present to address shareholders' queries about the conduct of the audit and preparation and contents of the Auditors' Report.

*Guideline 16.4: Minutes of General Meetings*
The Company prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting and responses from the Board and Management. The minutes are available to shareholders upon their request.

*Guideline 16.5: Voting by Poll at General Meetings*
For greater transparency and effective participation, the Company has implemented poll voting since its 2015 AGM and all resolutions are put to vote by poll. An independent scrutineer firm is present to validate votes. The results of the poll voting on each resolution tabled at general meeting, including the number of votes cast for and against of each resolution and the respective percentages, are announced after each general meeting, via SGXNet. The Company has been conducting electronic poll voting since 2017 AGM.

## DEALINGS IN SECURITIES

*Rule 1207(19) of the Listing Manual*
The Company has adopted practices in relation to dealings in the Company's securities pursuant to the Listing Manual that are applicable to all its officers. The Group issues quarterly reminders to Directors, officers and employees on the restrictions in dealings in the Company's shares during the period commencing two weeks before the announcement of the Group's quarterly results and one month before the announcement of the Group's full year results and ending on the date of the announcement of the results or when they are in possession of unpublished material price-sensitive information of the Group.

Directors and executives are also expected to observe insider trading laws at all times even when dealing with securities within the permitted trading period and are discouraged from dealing in the Company's securities on short-term considerations.

## 1. RECURRENT INTERESTED PERSON TRANSACTIONS OF A REVENUE OR TRADING NATURE

The Audit and Risk Committee has reviewed the Group's Interested Person Transactions ("IPT") for FY2019 to ensure IPTs are on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders and complied with the mandates granted by the shareholders at the Annual General Meeting of the Company held on 26 October 2018. The review procedures for IPTs are disclosed in the Company's Circular to Shareholders dated 9 October 2019.

The aggregate value of recurrent IPT of revenue or trading nature conducted during FY2019 by the Group were as follows:

| Name of interested person | Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than SGD100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) | Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than SGD100,000) |
|---|---|---|
| | 01-07-2018 to 30-06-2019<br>RM | 01-07-2018 to 30-06-2019<br>RM |
| Companies associated to Mr. Goh Peng Ooi ("Silverlake Entities") | | |
| - **IPT Mandate** [1] | | |
| Revenue from Silverlake Entities | - | 126,645,644 |
| Service fees to Silverlake Entities | - | (18,739,768) |
| - **Non-Mandate Transactions** [2] | | |
| Revenue from Silverlake Entities | 4,378,556 | - |
| Service fees to Silverlake Entities | (773,824) | - |

[1] The IPT Mandate was approved by shareholders on 24 October 2008 for transactions pursuant to Master License Agreement ("MLA") and Master Services Agreement ("MSA"). The IPT Mandate is subject to annual renewal.

[2] The Non-Mandate Transactions were mainly derived from provision of software licensing by Silverlake Adaptive Applications & Continuous Improvement Services Ltd. and provision of enhancement services and hardware products by Cyber Village Sdn. Bhd. and Silverlake Holdings Sdn. Bhd. to Silverlake Entities; and maintenance services contracted between Silverlake Investment Ltd. together with its subsidiaries ("SIL Group") and Silverlake Entities before the completion of acquisition of SIL Group in prior year.

The total IPT revenue and IPT service fees of RM131,024,200 and RM19,513,592 (2018: RM46,219,897 and RM31,774,062) accounted for 19% and 8% (2018: 9% and 13%) of the Group's total revenue and total cost of sales respectively. Further details of IPT are disclosed in Note 39(a) to the financial statements.

## 2. ADDITIONAL DISCLOSURE IN RELATION TO THE COMPANY'S UNDERTAKINGS TO THE SGX-ST ON IPT

The ageing of amounts owing from the Silverlake Entities as at 30 June 2019 was as follows:

| Name of related parties | Total Due RM | 0-30 days RM | 31-60 days RM | 61-90 days RM | 91-180 days RM | > 180 days RM |
|---|---|---|---|---|---|---|
| **Transactions conducted under the IPT Mandate** | | | | | | |
| Silverlake Entities [1] | 15,155,039 | 11,157,048 | 3,997,991 | - | - | - |
| **Non-Mandate Transactions** | | | | | | |
| Silverlake Entities | 2,168,076 | 2,168,076 | - | - | - | - |
| **Non-Trade Transactions** | | | | | | |
| Silverlake Entities | 150,271 | 97,062 | 53,209 | - | - | - |
| **Grand Total** | **17,473,386** | **13,422,186** | **4,051,200** | **-** | **-** | **-** |

[1] The Audit and Risk Committee confirms that collections from the Silverlake Entities were within the mandated terms.

## 3. MATERIAL CONTRACTS

Save as disclosed in Note 1 above, there were no material contracts, including contracts relating to loans, entered into by the Company and its subsidiaries involving the interests of any Director, the Chief Executive Officer, or controlling shareholder during FY2019.

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The directors are pleased to present their report together with the audited consolidated financial statements of Silverlake Axis Ltd. (the Company) and its subsidiaries (collectively, the Group) and the statement of financial position of the Company for the financial year ended 30 June 2019.

## 1. DIRECTORS

The directors of the Company in office at the date of this report are:

Goh Peng Ooi
Andrew Tan Teik Wei (appointed on 1 July 2019)
Dr. Kwong Yong Sin
Goh Shiou Ling
Ong Kian Min
Professor Tan Sri Dato' Dr. Lin See Yan
Lim Kok Min
Tan Sri Dato' Dr. Mohd Munir bin Abdul Majid
Yau Ah Lan (a.k.a. Datuk Yvonne Chia)
See Chuang Thuan
Voon Seng Chuan

## 2. ARRANGEMENT TO ENABLE DIRECTORS TO ACQUIRE SHARES

Except as disclosed in the financial statements, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares of the Company or any other body corporate.

## 3. DIRECTORS' INTERESTS IN SHARES

The following directors, who held office at the end of the financial year, had an interest in shares of the Company and its related corporations as stated below:

| | Direct interest | | Deemed interest | |
|---|---|---|---|---|
| Name of director | At the beginning of financial year/ At the date of appointment | At the end of financial year | At the beginning of financial year | At the end of financial year |
| *Ordinary shares of the Company* | | | | |
| Goh Peng Ooi | - | - | 1,759,877,345 | 1,759,877,345 |
| Dr. Kwong Yong Sin | 17,172,000 | 18,972,000 | 1,150,000 | 1,450,000 |
| Goh Shiou Ling | - | 630,400 | - | - |
| Ong Kian Min | 800,000 | 1,800,000 | - | - |
| Professor Tan Sri Dato' Dr. Lin See Yan | 600,000 | 800,000 | - | - |
| Lim Kok Min | 600,000 | 800,000 | - | - |
| Tan Sri Dato' Dr. Mohd Munir bin Abdul Majid | - | 200,000 | - | - |
| Yau Ah Lan (a.k.a. Datuk Yvonne Chia) | 300,000 | 500,000 | 110,000 | 110,000 |
| See Chuang Thuan | 39,255,953 | 39,255,953 | - | - |
| Voon Seng Chuan | 3,400,000 | 3,400,000 | - | - |
| *Ordinary shares of the holding company (Intelligentsia Holding Ltd.)* | | | | |
| Goh Peng Ooi | 3,882,254 | 3,882,254 | - | - |

There was no change in any of the abovementioned interests between the end of the financial year and 21 July 2019.

## 4. DIRECTORS' CONTRACTUAL BENEFITS

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

## 5. PERFORMANCE SHARE PLAN

The Silverlake Axis Ltd. Performance Share Plan ("PSP") was approved by the Company's shareholders at the Special General Meeting held on 28 October 2010 under which awards ("Awards") of fully-paid shares will be issued free of charge to eligible employees, executive directors and non-executive directors of the Company and its subsidiaries, provided certain prescribed performance targets are met.

The aggregate number of shares which may be available for Awards under the PSP, when aggregated with the aggregate number of shares available under any other share-based schemes of the Company, will not exceed 5% of the total issued shares of the Company (excluding treasury shares) from time to time. The PSP shall continue in force at the discretion of the PSP Committee, subject to the maximum period of 10 years commencing on 28 October 2010. The PSP Committee comprises Mr. Goh Peng Ooi, Professor Tan Sri Dato' Dr. Lin See Yan, Mr. Ong Kian Min and Mr. Lim Kok Min.

**(i) PSP shares granted to managing director**

On 5 January 2015, a maximum 10,000,000 PSP shares were awarded and granted to the Group Managing Director, Dr. Kwong Yong Sin. Taking into account the bonus issue on 8 July 2015, the number of outstanding share awards for the remaining four-financial year performance period had been adjusted from 8,000,000 shares to 9,600,000 shares in the financial year ended 30 June 2016.

On 15 February 2019, 1,800,000 (2018: 1,800,000) PSP shares were awarded and released from the Company's existing treasury shares at the market price of SGD0.545 (2018: SGD0.570) per share at grant date, amounting to RM5,218,920 (2018: RM5,378,670) to Dr. Kwong Yong Sin in recognition of his contribution to the Group for the financial year ended 30 June 2018 (2018: 30 June 2017). During the financial year, 600,000 (2018: 600,000) shares had lapsed and there was no outstanding share award to be granted as at the reporting date.

The shares awarded were subject to restrictions against any disposal or sale and/or other dealings in the shares for a period of one year from the applicable release date.

**(ii) PSP shares granted to independent non-executive directors**

On 30 January 2019, 1,000,000 PSP shares were awarded and granted to five independent non-executive directors, Mr. Ong Kian Min, Professor Tan Sri Dato' Dr. Lin See Yan, Mr. Lim Kok Min, Tan Sri Dato' Dr. Mohd Munir bin Abdul Majid and Ms. Yau Ah Lan (a.k.a. Datuk Yvonne Chia), at 200,000 shares each pursuant to the Silverlake Axis Ltd. Performance Share Plan. The shares awards are based on the service and contributions made by each independent non-executive director to the success of the Company.

The shares awarded are subject to restrictions against any disposal or sale and/or other dealings in the shares for a period of one year from the applicable release date.

On 15 February 2019, 1,000,000 shares were released from the Company's existing treasury shares at the market price of SGD0.545 per share, amounted to RM1,657,618.

## 5. PERFORMANCE SHARE PLAN (CONT'D)

Save as disclosed below, no directors or employees of the Group have received 5% or more of the total number of shares available under the PSP:

| Name of participant | Aggregate PSP granted since commencement of PSP to the end of the financial year | Aggregate PSP released since commencement of PSP to the end of the financial year | Aggregate PSP lapsed since commencement of PSP to the end of the financial year | Aggregate PSP outstanding as at the end of the financial year |
|---|---|---|---|---|
| **2019** | | | | |
| Dr. Kwong Yong Sin | 17,850,000 | 16,650,000 | 1,200,000 | - |
| **2018** | | | | |
| Dr. Kwong Yong Sin | 17,850,000 | 14,850,000 | 600,000 | 2,400,000 |

Details of the PSP are disclosed in Note 28(d) to the financial statements.

## 6. TREASURY SHARES

On 30 January 2019, 150,000 treasury shares were released at the price of SGD0.47 per share, for the purposes of award of shares to a former non-executive director.

On 15 February 2019, 1,800,000 (2018: 1,800,000) and 1,000,000 treasury shares were released at the price of SGD0.545 (2018: SGD0.570) each, which reflected the fair values of shares at release dates, for the purposes of award of shares to the managing director and independent non-executive directors respectively under the PSP.

During the financial year, the Company purchased 13,938,000 (2018: 62,485,200) shares pursuant to the share purchase mandate approved by shareholders on 26 October 2018 (2018: 26 October 2017). These shares were acquired by way of market acquisition for a total consideration of RM17,855,204 (2018: RM108,921,092) and are held as treasury shares by the Company.

Further details of the treasury shares are disclosed in Note 28(c) to the financial statements.

## 7. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Details of significant event during the financial year are disclosed in Note 45 to the financial statements.

## 8. SIGNIFICANT EVENT AFTER THE FINANCIAL YEAR

Details of significant event after the financial year are disclosed in Note 46 to the financial statements.

## 9. BOARD OPINION ON THE ADEQUACY OF INTERNAL CONTROLS ADDRESSING FINANCIAL, OPERATIONAL AND COMPLIANCE RISKS (INCLUDING INFORMATION TECHNOLOGY RISKS)

Based on the internal controls established and maintained by the Group, work performed by the internal auditors and external auditors (in the course of their annual statutory audit), and reviews performed by the Management and the Board, the Board with the concurrence of the Audit and Risk Committee, is of the opinion that the Group's internal controls, addressing financial, operational and compliance risks, including information technology risks, which the Group considers relevant and material to its operations, were adequate for the financial year ended 30 June 2019.

## 10. AUDIT AND RISK COMMITTEE ("ARC")

Information on the functions and activities of the ARC are disclosed in the Corporate Governance Statement.

## 11. AUDITOR

Ernst & Young, have expressed their willingness to continue in office.

On behalf of the board of directors:

**GOH PENG OOI**
DIRECTOR

**DR. KWONG YONG SIN**
DIRECTOR

26 September 2019

## STATEMENT BY DIRECTORS

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the statement of financial position of the Company together with notes thereto are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019 and of the results of the business, changes in equity and cash flows of the Group for the year then ended; and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the board of directors:

**GOH PENG OOI**
DIRECTOR

**DR. KWONG YONG SIN**
DIRECTOR

26 September 2019

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### *Opinion*

We have audited the financial statements of Silverlake Axis Ltd. and its subsidiaries (collectively, the Group), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2019, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 87 to 223.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with International Financial Reporting Standards ("IFRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence and other ethical responsibilities*

We are independent of the Group in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with By-Laws and IESBA Code.

### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

**(1) Revenue and cost of sales from software licensing and software project services**

(Refer to Note 2.4(g) Summary of significant accounting policies – Revenue recognition, Note 3 – Revenue)

For the financial year ended 30 June 2019, revenue from the provision of software licensing and software project services, amounted to RM101 million and RM103 million respectively. A portion of the Group's revenues and profits from these services are derived from long-term contracts which span more than one accounting period.

The determination of whether revenue for these contracts should be recognised at a point in time or over time in accordance with IFRS 15 Revenue from Contracts with Customers depends on the underlying contract arrangements for the provision of license and software project services. For contracts where the performance obligation is satisfied over time, the Group uses the input method in measuring progress towards complete satisfaction of a performance obligation.

We identified revenue and cost of sales from software project services as areas requiring audit focus as significant management judgement and estimates are involved; in particular, we focused on the following areas:

(a) judgement made by the management in determining license and provision of design and implementation should be considered as one performance obligation; and

(b) in respect of long-term contracts where revenue is recognised over time in accordance with IFRS 15, estimates made by the management in respect of total budgeted costs in measuring progress towards complete satisfaction of a performance obligation.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

### *Key audit matters (cont'd)*

**(1) Revenue and cost of sales from software licensing and software project services (cont'd)**

**Our audit response:**

In addressing this area of audit focus, we performed, amongst others, the following procedures:

(a) we read the contracts to obtain an understanding of the specific terms and conditions, including the relative proportion of the fees for service and license and the project timeline, in assessing management's judgement on whether license and provision of design and implementation should be considered as one performance obligation;

(b) we obtained an understanding of the relevant internal controls over the accuracy and timing of revenue recognised in the financial statements, including controls performed by the management in estimating total budgeted costs and profit margin;

(c) we read the project management meeting minutes to obtain an understanding of the performance and progress of the contracts;

(d) we sighted sign-offs by customers on completion of each significant stage of implementation (e.g. functional specification, system integration test, user acceptance test, go live);

(e) we evaluated the key assumptions applied by management in estimating the total budgeted costs by examining the documentary evidence such as approved purchase orders and letters of award issued to the sub-contractors which support the total budgeted costs;

(f) we also considered the historical accuracy of management's budgets for similar contracts in assessing the estimated total contract costs; and

(g) we reviewed and recomputed the progress towards complete satisfaction of a performance obligation using input method, including vouching of the actual costs incurred to date to sub-contractors' claims and invoices and vouching of the time cost sheet in respect of payroll costs absorbed to each project.

**(2) Impairment assessment of goodwill**

(Refer to Note 2.5(b) - Key sources of estimation uncertainty, Note 12 - Intangible assets)

As at 30 June 2019, the carrying amount of goodwill recognised by the Group amounted to RM137 million, representing 40% and 12% of the Group's total non-current assets and total assets respectively. The Group is required to perform annual impairment assessment of the cash-generating units ("CGU") or groups of CGUs to which goodwill has been allocated.

The Group estimated the recoverable amounts of the CGUs to which the goodwill is allocated based on value in use ("VIU"). Estimating the VIU involves discounting the estimated future cash inflows and outflows expected to be derived from the CGUs to its present value using an appropriate discount rate.

We identified this as an area of audit focus as the VIU determined using discounted cash flows is complex and involves significant management judgement and estimates, specifically the key assumptions on the revenue growth rate, gross profit margin, long-term growth rate and discount rate.

**Our audit response:**

In addressing this area of audit focus, we performed, amongst others, the following procedures:

(a) we obtained an understanding of the methodology adopted by the management in estimating the VIU and assessed whether such methodology is consistent with those used in the industry;

(b) we obtained an understanding from management on their basis of assigning probability to the potential contracts included in the VIU by reference to the stage of negotiation with customers;

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

### *Key audit matters (cont'd)*

**(2) Impairment assessment of goodwill (cont'd)**

**Our audit response: (cont'd)**

In addressing this area of audit focus, we performed, amongst others, the following procedures: (cont'd)

(c) we evaluated management's key assumptions on revenue growth rate, gross profit margin and long-term growth rate, by taking into consideration the current and expected future economic conditions of the respective business segments and geographical regions of the CGUs. We also compared the key assumptions against past actual outcomes;

(d) we involved our internal valuation experts in assessing the discount rate used and whether the rate used reflects the current market assessments of the time value of money and the risks specific to the asset is the return that investors would require if they were to choose an investment that would generate cash flows of amounts, timing and risk profile equivalent to those that the entity expects to derive from the CGUs;

(e) we performed sensitivity analysis on key assumptions that will significantly affect the recoverable amounts of the CGUs; and

(f) we evaluated the adequacy of disclosures of key assumptions to which the outcome of the impairment assessment is most sensitive.

**(3) Pricing and disclosure of related parties and related party transactions**

(Refer to Note 21 - Amounts due from/(to) subsidiaries and related parties and Note 39 - Significant related party transactions)

The Group has significant related party transactions which include sales of goods and rendering of services to Silverlake Private Entities ("SPEs") totaling RM131 million representing 19% of Group's revenue, and service fees paid to SPEs totaling RM20 million representing 8% of the Group's cost of sales.

We identified this as an area of audit focus due to the significance of the amounts and the frequency of such transactions. Specifically, we focused our audit efforts to determine whether the transactions with SPEs were authorised and entered into at rates and terms approved by the Audit and Risk Committee; and whether adequate disclosures were made in the financial statements in accordance with IAS 24 Related Party Disclosures and SGX listing requirements.

**Our audit response:**

In addressing this area of audit focus, we performed, amongst others, the following procedures:

(a) we inquired management (including Internal Audit) and obtained understanding of the processes and controls that the Group has to:
  (i) identify, account for, and disclose related party relationships ("RPR") and related party transactions ("RPT");
  (ii) authorise and approve significant RPT with related parties; and
  (iii) authorise and approve significant RPT outside the normal course of business.

(b) we obtained the list of RPR and RPT and assessed:
  (i) completeness of the lists;
  (ii) whether significant RPT are properly approved; and
  (iii) whether significant RPT outside the normal course of business are properly approved.

(c) we read contracts and agreements with related parties to understand the nature and terms of the transactions;

(d) we assessed the computation of RPT and agreed the rates used in the computation to the latest rates approved by the Audit and Risk Committee; and

(e) we evaluated the adequacy of disclosures of RPT in the financial statements.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

### *Key audit matters (cont'd)*

**(4) Impairment assessment on investments in subsidiaries**

(Refer to Note 2.5(c) - Key sources of estimation uncertainty, Note 13 - Investments in subsidiaries)

As at 30 June 2019, the carrying amount of the Company's investments in subsidiaries (before current year's impairment loss) amounted to RM2,282 million.

The Company is required to perform impairment assessment of its investments in subsidiaries whenever there is an indication that the investments may be impaired. Investments with carrying amounts higher than the Company's share of their net assets would indicate that the carrying amount of the Company's cost of investment in these subsidiaries may be impaired.

Accordingly, the Company performed an impairment assessment on the cash-generating units ("CGUs") relating to these subsidiaries. The Company estimated the recoverable amounts of the CGUs based on its value in use ("VIU"). Estimating the VIU involves discounting the estimated future cash inflows and outflows expected to be derived from the CGUs to its present value using an appropriate discount rate.

We identified this as an area of audit focus as the VIU determined using discounted cash flows is complex and involves significant management judgement and estimates, specifically the key assumptions on the revenue growth rate, gross profit margin, long-term growth rate and discount rate.

Arising from the impairment assessment by the management, management impaired the investments in four of its subsidiaries to their respective recoverable amounts, resulting in total impairment losses of RM36 million being recognised in the Company's income statement during the current financial year.

**Our audit response:**

In addressing this area of audit focus, we performed, amongst others, the following procedures:

(a) we obtained an understanding of the methodology adopted by the management in estimating the VIU and assessed whether such methodology is consistent with those used in the industry;

(b) we obtained an understanding from management on their basis of assigning probability to the potential contracts included in the VIU by reference to the stage of negotiation with customers;

(c) we evaluated management's key assumptions on revenue growth rate, gross profit margin and long-term growth rate, by taking into consideration the current and expected future economic conditions of the respective subsidiaries. We also compared the key assumptions against past actual outcomes;

(d) we involved our internal valuation experts in assessing the discount rate used and whether the rate used reflects the current market assessments of the time value of money and the risks specific to the asset is the return that investors would require if they were to choose an investment that would generate cash flows of amounts, timing and risk profile equivalent to those that the entity expects to derive from the subsidiary;

(e) we performed sensitivity analysis on key assumptions that will significantly affect the recoverable amounts of the investments in subsidiaries; and

(f) we evaluated the adequacy of disclosures of investments in subsidiaries.

**(5) Business combination**

(Refer to Note 2.5(e) - Key sources of estimation uncertainty, Note 12 - Intangible assets, Note 13 - Investments in subsidiaries), Note 34 - Trade and other payables - contingent consideration)

On 25 January 2019, the Group acquired 80% equity interest with a call and a put options on the remaining 20% equity interest in SIA X Infotech Group and two of its subsidiaries ("collectively referred to as XIT Group"). In prior year, the Group acquired Silverlake Investment Ltd. and three of its subsidiaries ("collectively referred to as SIL Group").

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

### *Key audit matters (cont'd)*

**(5) Business combination (cont'd)**

(i) Accounting for acquisition of XIT Group

As at 30 June 2019, the acquisition of XIT Group resulted in the recognition of a provisional goodwill amounting to RM42 million, subject to the completion of the allocation of the purchase price to the respective assets and liabilities acquired. In accordance with IFRS 3, the accounting for the business combination shall be completed within one year from the acquisition date.

The acquisition of XIT Group has resulted in the recognition of a call option of RM9 million and a financial liability for put option over the shares held by non-controlling interest of RM13 million in the consolidated financial statements. In the Company's separate financial statements, the acquisition has also resulted in the recognition of a put option of RM1 million and call option of RM9 million.

We identified the business combination of XIT Group as a key audit matter due to the materiality of the transaction and the significant management judgement and estimates made on the provisional goodwill and the complexity involved in accounting for the put and call options, as well as the adjustments required to align the accounting policies of XIT Group with the Group's accounting policies.

**Our audit response:**

In addressing this area of audit focus, we performed, amongst others, the following procedures:

(a) we read the sale and purchase agreement, shareholders agreement, board minutes and announcements made by the Group in relation to the acquisition to obtain an understanding of the key terms of the transaction;

(b) we read the key findings identified during the due diligence procedures performed by the external experts engaged by the Group;

(c) we evaluated management's assessment on the accounting basis for call and put options and we involved our specialist to assist in the evaluation of the management's assessment of the fair value of the call and put options including key assumptions on long-term growth rate and discount rate;

(d) we evaluated management's assessment of the fair value of the acquired business using the projected cash flows and recomputed the provisional goodwill arising from the acquisition, which is subject to the completion of the allocation of the purchase price to the acquired assets and liabilities as allowed by IFRS 3;

(e) we evaluated management's assessment on the alignment of XIT Group's accounting policies with the Group's accounting policies; and

(f) we evaluated the adequacy of the business combination disclosures.

(ii) Fair value of contingent considerations payable

The purchase considerations of the acquisition for XIT Group in the current year and SIL Group in the prior year include contingent considerations which will be determined based on the achievement of certain financial targets as disclosed in Note 13 to the financial statements. As at 30 June 2019, the total fair value of the contingent considerations payable is estimated to be RM249 million.

We identified this as an area of audit focus as estimating the fair values of contingent considerations payable is complex and involves significant management judgement and estimates, specifically the key assumptions used such as revenue growth rates, gross profit margins and other expenses in computing the financial targets, the probability-weighted average of payouts on various possible outcomes of the financial targets and the discount rates used.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

### *Key audit matters (cont'd)*

**(5) Business combination (cont'd)**

(ii) Fair value of contingent considerations payable (cont'd)

**Our audit response:**

In addressing this area of audit focus, we performed, amongst others, the following procedures:

(a) we obtained an understanding from the management on their basis in assigning a probability on various possible outcomes of the financial targets;

(b) we evaluated the key assumptions on revenue growth rates, gross profit margins and operating expenses used in computing the financial targets, taking into consideration the current and expected future economic conditions of the respective business segments of the acquired subsidiaries. We also compared these key assumptions against past actual outcomes;

(c) we assessed the discount rates and whether the rates used reflect the risks specific to the contingent considerations payable;

(d) we performed sensitivity analysis on key assumptions that will significantly affect the fair value of the contingent considerations payable; and

(e) we evaluated the adequacy of disclosures pertaining to the fair value of contingent considerations payable.

### *Other information*

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of management and directors for the financial statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

***Auditors' responsibilities for the audit of the financial statements (cont'd)***

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements for the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## OTHER MATTERS

This report is made solely to the members of the Company, as a body, and for no other purpose. We do not assume responsibility to any other person for the content of this report.

The engagement partner on the audit resulting in this independent auditors' report is Hoh Yoon Hoong.

**ERNST & YOUNG**
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
26 September 2019

# CONSOLIDATED INCOME STATEMENT
For the financial year ended 30 June 2019

| | Note | Group 2019 RM | Group 2018 RM |
|---|---|---|---|
| **Revenue** | 3 | 680,807,760 | 541,766,103 |
| Cost of sales | | (254,669,616) | (236,830,238) |
| **Gross profit** | | 426,138,144 | 304,935,865 |
| **Other items of income** | | | |
| Finance income | 4 | 3,172,427 | 2,850,159 |
| Other income | 5 | 55,572,767 | 4,525,513 |
| **Other items of expenses** | | | |
| Selling and distribution costs | | (37,423,074) | (29,750,672) |
| Administrative expenses | | (133,996,805) | (118,158,697) |
| Finance costs | 6 | (27,021,025) | (1,336,222) |
| Share of loss of a joint venture | 15 | (1,716,738) | (15,876,018) |
| **Profit before tax** | 7 | 284,725,696 | 147,189,928 |
| Income tax expense | 9 | (39,159,484) | (13,109,684) |
| **Profit for the year** | | 245,566,212 | 134,080,244 |
| **Profit for the year attributable to:** | | | |
| Owners of the parent | | 245,577,192 | 134,090,521 |
| Non-controlling interests | | (10,980) | (10,277) |
| | | 245,566,212 | 134,080,244 |
| Earnings per share attributable to the owners of the parent: | | | |
| - Basic (sen) | 10 | 9.27 | 5.09 |
| - Diluted (sen) | 10 | 9.27 | 5.08 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the financial year ended 30 June 2019

| | Note | Group 2019 RM | Group 2018 RM |
|---|---|---|---|
| Profit for the year | | 245,566,212 | 134,080,244 |
| **Other comprehensive income/(loss):** | | | |
| *Items that may be reclassified to profit or loss in the subsequent periods:* | | | |
| - Fair value loss on available-for-sale financial assets | 29(e) | - | (29,333,305) |
| - Deferred tax relating to fair value loss on available-for-sale financial assets | 33 | - | 3,717,526 |
| - Foreign currency translation gain/(loss) | | 13,941,368 | (50,487,763) |
| - Share of foreign currency translation gain of a joint venture | 15 | 76,988 | 63,800 |
| | | 14,018,356 | (76,039,742) |
| *Items that will not be reclassified to profit or loss in the subsequent periods:* | | | |
| - Fair value loss on financial assets - quoted equity shares | 29(e) | (23,061,029) | - |
| - Deferred tax relating to fair value loss on financial assets - quoted equity shares | 33 | 2,255,182 | - |
| - Actuarial (loss)/gain on defined benefit plans | 37 | (1,283,006) | 901,273 |
| - Deferred tax relating to actuarial loss/(gain) on defined benefit plans | 33 | 295,548 | (184,164) |
| | | (21,793,305) | 717,109 |
| **Other comprehensive loss for the year, net of tax** | | (7,774,949) | (75,322,633) |
| **Total comprehensive income for the year** | | 237,791,263 | 58,757,611 |
| **Total comprehensive income for the year attributable to:** | | | |
| Owners of the parent | | 237,802,243 | 58,767,888 |
| Non-controlling interests | | (10,980) | (10,277) |
| | | 237,791,263 | 58,757,611 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# STATEMENTS OF FINANCIAL POSITION
# AS AT 30 JUNE 2019

| | Note | Group 2019 RM | Group 2018 RM | Company 2019 RM | Company 2018 RM |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 11 | 14,883,219 | 20,415,445 | 3,706 | 4,128 |
| Intangible assets | 12 | 281,504,938 | 206,719,656 | - | - |
| Investments in | | | | | |
| - subsidiaries | 13 | - | - | 2,246,199,153 | 2,218,334,773 |
| - associate | 14 | - | - | - | - |
| Interest in a joint venture | 15 | 8,624,011 | 9,667,993 | 16,009,608 | 23,108,840 |
| Derivative asset | 16 | 9,366,693 | - | 9,366,693 | - |
| Deferred tax assets | 33 | 26,082,336 | 16,375,321 | - | - |
| | | 340,461,197 | 253,178,415 | 2,271,579,160 | 2,241,447,741 |
| **Current assets** | | | | | |
| Inventories | 17 | 969,423 | - | - | - |
| Amounts due from customers for contract work-in-progress | 18 | - | 55,829,157 | - | - |
| Trade and other receivables | 19 | 134,321,976 | 139,101,599 | 214,047 | 144,727 |
| Contract assets | 20 | 57,547,440 | - | - | - |
| Advance maintenance costs | | - | 1,882,697 | - | - |
| Prepayments | | 4,345,711 | 4,537,993 | 103,668 | 197,833 |
| Amounts due from subsidiaries | 21 | - | - | 34,492 | 15,486 |
| Amounts due from related parties | 21 | 17,473,386 | 50,027,486 | - | - |
| Loans to subsidiaries | 22 | - | - | 2,836,600 | - |
| Tax recoverable | | 4,260,903 | 4,317,961 | - | - |
| Available-for-sale financial assets | | | | | |
| - quoted equity shares | 23 | - | 189,780,204 | - | - |
| - money market fund | 24 | - | 4,559,997 | - | - |
| Financial assets at fair value through other comprehensive income | | | | | |
| - quoted equity shares | 25 | 172,099,864 | - | - | - |
| Financial assets at fair value through profit or loss - money market fund | 26 | 8,879,131 | - | - | - |
| Cash and bank balances | 27 | 441,997,144 | 304,042,436 | 82,110,482 | 88,902,117 |
| | | 841,894,978 | 754,079,530 | 85,299,289 | 89,260,163 |
| **Total assets** | | 1,182,356,175 | 1,007,257,945 | 2,356,878,449 | 2,330,707,904 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

| | Note | Group 2019 RM | Group 2018 RM | Company 2019 RM | Company 2018 RM |
|---|---|---|---|---|---|
| **Equity and liabilities** | | | | | |
| **Equity** | | | | | |
| Share capital | 28(a) | 191,040,654 | 191,040,654 | 191,040,654 | 191,040,654 |
| Share premium | 28(b) | 236,820,722 | 234,417,308 | 1,704,482,883 | 1,702,079,469 |
| Treasury shares | 28(c) | (81,725,730) | (68,558,076) | (81,725,730) | (68,558,076) |
| Foreign currency translation reserve | 29(a) | 25,563,598 | 11,545,242 | - | - |
| Capital reserve | 29(b) | 466,828 | 466,828 | - | - |
| Statutory reserve | 29(c) | 21,819 | 21,819 | - | - |
| Performance share plan reserve | 28(d),29(d) | - | 6,056,474 | - | 6,056,474 |
| Available-for-sale reserve | 29(e) | - | (112,813,218) | - | - |
| Fair value reserve of financial assets at FVOCI | 29(e) | (133,619,065) | - | - | - |
| Merger deficit | 30 | (476,280,829) | (476,280,829) | - | - |
| Retained profits | | 829,984,883 | 737,212,629 | 230,232,303 | 243,058,068 |
| **Equity attributable to owners of the parent** | | 592,272,880 | 523,108,831 | 2,044,030,110 | 2,073,676,589 |
| Non-controlling interests | | 63,941 | 74,921 | - | - |
| **Total equity** | | 592,336,821 | 523,183,752 | 2,044,030,110 | 2,073,676,589 |
| **Non-current liabilities** | | | | | |
| Loans and borrowings | 31 | 63,098,790 | 2,925,844 | 59,947,894 | - |
| Deferred tax liabilities | 33 | 33,235,724 | 31,828,657 | - | - |
| Other payables | 34 | 248,502,535 | 233,743,461 | 248,502,535 | 233,743,461 |
| Put liability | 35 | 12,588,232 | - | - | - |
| Derivative liability | 36 | - | - | 1,070,705 | - |
| Provision for defined benefit liabilities | 37 | 10,302,180 | 6,906,254 | - | - |
| | | 367,727,461 | 275,404,216 | 309,521,134 | 233,743,461 |
| **Current liabilities** | | | | | |
| Amounts due to customers for contract work-in-progress | 18 | - | 43,282,889 | - | - |
| Trade and other payables | 34 | 70,666,634 | 67,960,485 | 1,788,896 | 1,944,126 |
| Contract liabilities | 20 | 118,323,243 | - | - | - |
| Provision for defined benefit liabilities | 37 | 92,338 | 258,271 | - | - |
| Advance maintenance fees | | - | 55,887,662 | - | - |
| Loans and borrowings | 31 | 11,312,065 | 25,363,768 | - | 20,720,000 |
| Amount due to holding company | 21 | - | 213,120 | - | - |
| Amounts due to subsidiaries | 21 | - | - | 1,538,309 | 623,728 |
| Amounts due to related parties | 21 | 2,793,107 | 2,510,141 | - | - |
| Tax payable | | 19,104,506 | 13,193,641 | - | - |
| | | 222,291,893 | 208,669,977 | 3,327,205 | 23,287,854 |
| **Total liabilities** | | 590,019,354 | 484,074,193 | 312,848,339 | 257,031,315 |
| **Net current assets** | | 619,603,085 | 545,409,553 | 81,972,084 | 65,972,309 |
| **Total equity and liabilities** | | 1,182,356,175 | 1,007,257,945 | 2,356,878,449 | 2,330,707,904 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2019

| 2019 Group | Note | Attributable to owners of the parent: Share capital (Note 28(a)) RM | Share premium (Note 28(b)) RM | Treasury shares (Note 28(c)) RM | Foreign currency translation reserve (Note 29(a)) RM | Capital reserve (Note 29(b)) RM | Statutory reserve (Note 29(c)) RM | Performance share plan reserve (Note 28(d), Note 29(d)) RM | Available-for-sale reserve (Note 29(e)) RM | Fair value reserve of financial assets at FVOCI (Note 29(e)) RM | Merger deficit (Note 30) RM | Distributable retained profits RM | Total RM | Non-controlling interests RM | Total equity RM |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **At 1 July 2018** | | 191,040,654 | 234,417,308 | (68,558,076) | 11,545,242 | 466,828 | 21,819 | 6,056,474 | (112,813,218) | - | (476,280,829) | 737,212,629 | 523,108,831 | 74,921 | 523,183,752 |
| Adjustment on initial application of IFRS 15 | | - | - | - | - | - | - | - | - | - | - | 594,194 | 594,194 | - | 594,194 |
| Adjustment on initial application of IFRS 9 | | - | - | - | - | - | - | - | 112,813,218 | (112,813,218) | - | - | - | - | - |
| **Adjusted balance as at 1 July 2018** | | 191,040,654 | 234,417,308 | (68,558,076) | 11,545,242 | 466,828 | 21,819 | 6,056,474 | - | (112,813,218) | (476,280,829) | 737,806,823 | 523,703,025 | 74,921 | 523,777,946 |
| Profit for the year | | - | - | - | - | - | - | - | - | - | - | 245,577,192 | 245,577,192 | (10,980) | 245,566,212 |
| Other comprehensive income/(loss) for the year | | - | - | - | 14,018,356 | - | - | - | - | (20,805,847) | - | (987,458) | (7,774,949) | - | (7,774,949) |
| **Total comprehensive income/(loss) for the year** | | - | - | - | 14,018,356 | - | - | - | - | (20,805,847) | - | 244,589,734 | 237,802,243 | (10,980) | 237,791,263 |
| Contributions by and distributions to owners | | | | | | | | | | | | | | | |
| Purchase of treasury shares | 28(c) | - | - | (17,855,204) | - | - | - | - | - | - | - | - | (17,855,204) | - | (17,855,204) |
| Grant of shares under Performance Share Plan | 28(d) | - | - | - | - | - | - | 820,064 | - | - | - | - | 820,064 | - | 820,064 |
| Release of shares under Performance Share Plan | 28(b),(c),(d) | - | 2,427,338 | 4,449,200 | - | - | - | (6,876,538) | - | - | - | - | - | - | - |
| Shares issued to a former non-executive director | | - | (23,924) | 238,350 | - | - | - | - | - | - | - | - | 214,426 | - | 214,426 |
| Dividends on ordinary shares | 38 | - | - | - | - | - | - | - | - | - | - | (152,411,674) | (152,411,674) | - | (152,411,674) |
| **Total transactions with owners in their capacity as owners** | | - | 2,403,414 | (13,167,654) | - | - | - | (6,056,474) | - | - | - | (152,411,674) | (169,232,388) | - | (169,232,388) |
| **At 30 June 2019** | | 191,040,654 | 236,820,722 | (81,725,730) | 25,563,598 | 466,828 | 21,819 | - | - | (133,619,065) | (476,280,829) | 829,984,883 | 592,272,880 | 63,941 | 592,336,821 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

| | | Attributable to owners of the parent | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | <---------- Non-distributable ----------> | | | | | | | | | | | | |
| 2018<br>Group | Note | Share capital (Note 28(a)) RM | Share premium (Note 28(b)) RM | Treasury shares (Note 28(c)) RM | Foreign currency translation reserve (Note 29(a)) RM | Capital reserve (Note 29(b)) RM | Statutory reserve (Note 29(c)) RM | Performance share plan reserve (Note 28(d), Note 29(d)) RM | Available-for-sale reserve (Note 29(e)) RM | Merger deficit (Note 30) RM | Distributable retained profits RM | Total RM | Non-controlling interests RM | Total equity RM |
| **At 1 July 2017** | | 191,040,654 | 232,217,438 | (86,627,098) | 61,969,205 | 466,828 | 21,819 | 10,163,890 | (87,197,439) | (118,726,054) | 988,929,533 | 1,192,258,776 | 85,198 | 1,192,343,974 |
| Profit for the year | | - | - | - | - | - | - | - | - | - | 134,090,521 | 134,090,521 | (10,277) | 134,080,244 |
| Other comprehensive (loss)/income for the year | | - | - | - | (50,423,963) | - | - | - | (25,615,779) | - | 717,109 | (75,322,633) | - | (75,322,633) |
| **Total comprehensive (loss)/income for the year** | | - | - | - | (50,423,963) | - | - | - | (25,615,779) | - | 134,807,630 | 58,767,888 | (10,277) | 58,757,611 |
| Contributions by and distributions to owners | | | | | | | | | | | | | | |
| Purchase of treasury shares | 28(c) | - | - | (108,921,092) | - | - | - | - | - | - | - | (108,921,092) | - | (108,921,092) |
| Grant of shares under Performance Share Plan | 28(d) | - | - | - | - | - | - | 1,271,254 | - | - | - | 1,271,254 | - | 1,271,254 |
| Release of shares under Performance Share Plan | 28(b),(c),(d) | - | 2,199,870 | 3,178,800 | - | - | - | (5,378,670) | - | - | - | - | - | - |
| Acquisition of subsidiaries | | - | - | 123,811,314 | - | - | - | - | - | (357,554,775) | - | (233,743,461) | - | (233,743,461) |
| Dividends on ordinary shares | 38 | - | - | - | - | - | - | - | - | - | (386,524,534) | (386,524,534) | - | (386,524,534) |
| **Total transactions with owners in their capacity as owners** | | - | 2,199,870 | 18,069,022 | - | - | - | (4,107,416) | - | (357,554,775) | (386,524,534) | (727,917,833) | - | (727,917,833) |
| **At 30 June 2018** | | 191,040,654 | 234,417,308 | (68,558,076) | 11,545,242 | 466,828 | 21,819 | 6,056,474 | (112,813,218) | (476,280,829) | 737,212,629 | 523,108,831 | 74,921 | 523,183,752 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial year ended 30 June 2019

| | Note | Group 2019 RM | Group 2018 RM |
|---|---|---|---|
| **Operating activities** | | | |
| Profit before tax | | 284,725,696 | 147,189,928 |
| Adjustments for: | | | |
| Amortisation of intangible assets | 7, 12 | 19,311,942 | 16,931,705 |
| Write off of intangible assets | 7 | 936,779 | - |
| Impairment of intangible assets | 7, 12 | 15,539,747 | - |
| Depreciation of property, plant and equipment | 7, 11 | 4,662,175 | 4,361,404 |
| Write off of property, plant and equipment | 7 | 65,049 | 6,790 |
| Impairment of property, plant and equipment | 7,11 | 850,166 | - |
| Net gain on disposal of property, plant and equipment | 5 | (9,039,880) | (241,951) |
| Gain on disposal of an associate | 5 | (1) | - |
| Inventories written off | 7 | 10,399 | - |
| Bad debts recovered | 5 | (22,000) | - |
| Bad debts written off | 7 | 18,043 | 1,921,865 |
| Impairment loss on financial assets - trade receivables | 7 | - | 1,986,010 |
| Expected credit losses on: | | | |
| - trade receivables | 7 | 4,123,959 | - |
| - contract assets | 7 | 31,676 | - |
| Reversal of provision for foreseeable losses | 7 | (181,303) | (1,200,157) |
| Reversal of impairment loss on financial assets: | | | |
| - trade receivables | 5 | (190,061) | (1,022,689) |
| - loan to an associate | 5 | (135,210) | - |
| Reversal of value-added tax accrued for disposal of quoted equity shares | 5 | (18,249,642) | - |
| Loss on disposal of financial assets - quoted equity shares | 7 | - | 6,316,460 |
| Dividend income from financial assets - quoted equity shares | 5 | - | (199,141) |
| Gain on redemption of financial assets - money market fund | 5 | (336,582) | (494,290) |
| Net unrealised foreign currency exchange (gain)/loss | 5, 7 | (1,997,298) | 7,829,514 |
| Fair value adjustment on contingent consideration for business combination | 5 | (14,839,820) | - |
| Gain on derivative asset at fair value through profit or loss | 5 | (9,366,693) | - |
| Performance shares issued | 8 | 820,064 | 1,271,254 |
| Shares issued to a former non-executive director | 8 | 214,426 | - |
| Waiver of debts by previous owner of a subsidiary | 5 | - | (988,908) |
| Allowance for unutilised leave | 8 | 1,744,607 | 1,726,127 |
| Provision for defined benefit liabilities | 8, 37 | 1,634,215 | 886,686 |
| Share of loss of a joint venture | 15 | 1,716,738 | 15,876,018 |
| Finance costs | 6 | 27,021,025 | 1,336,222 |
| Finance income | 4 | (3,172,427) | (2,850,159) |
| Total adjustments | | 21,170,093 | 53,452,760 |
| Operating cash flows before changes in working capital | | 305,895,789 | 200,642,688 |
| Changes in working capital: | | | |
| Inventories | | 2,066,000 | - |
| Trade and other receivables | | 17,131,991 | 9,848,414 |
| Amounts due from/to customers for contract work-in-progress | | 12,546,268 | 6,125,791 |
| Contract assets/liabilities | | 46,939,274 | - |
| Amount due to holding company | | - | (4,067,168) |
| Amounts due from/to related parties | | 32,773,825 | (38,791,336) |
| Trade and other payables | | (49,025,247) | (4,299,193) |
| Total changes in working capital | | 62,432,111 | (31,183,492) |
| Cash flows from operations | | 368,327,900 | 169,459,196 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

| | Note | Group 2019 RM | Group 2018 RM |
|---|---|---|---|
| **Operating activities (cont'd)** | | | |
| Cash flows from operations | | 368,327,900 | 169,459,196 |
| Net placement of deposit pledged | | (1,186,011) | (3,046,000) |
| Defined benefits paid | 37 | (269,301) | (179,450) |
| Income tax paid | | (40,216,503) | (19,993,947) |
| Interest paid | | (1,473,967) | (1,336,222) |
| Net cash flow from operating activities | | 325,182,118 | 144,903,577 |
| **Investing activities** | | | |
| Purchases of property, plant and equipment | (a) | (5,078,448) | (3,170,400) |
| Payments for software development expenditure | 12 | (29,077,716) | (20,966,510) |
| Payments for other intangible assets | 12 | (16,702) | (5,307) |
| Acquisition of subsidiaries, net of cash acquired | 13(a) | (52,604,665) | - |
| Advances to a joint venture | 15 | (79,139) | (82,519) |
| Proceeds from disposal of an associate | | 1 | - |
| Proceeds from disposal of property, plant and equipment | | 16,234,227 | 260,577 |
| Capital gain tax paid relating to the disposal of freehold land | | (384,926) | - |
| Proceeds from disposal of quoted equity investment | | - | 32,894,190 |
| Repayment of loan by an associate | | 135,210 | - |
| Capital gain tax paid relating to the disposal of shares | | - | (3,239,756) |
| Proceeds from redemption of financial assets - money market fund | | 47,437,451 | 67,504,290 |
| Purchases of financial assets - money market fund | | (51,420,003) | (69,257,207) |
| Interest received | | 3,107,504 | 2,787,877 |
| Dividend income received | | - | 199,141 |
| Net (placement)/uplift of short-term deposits | | (14,754,750) | 284,738,561 |
| Net cash flows (used in)/generated from investing activities | | (86,501,956) | 291,662,937 |
| **Financing activities** | | | |
| Dividends paid | 38 | (152,411,674) | (386,524,534) |
| Purchase of treasury shares | | (17,855,204) | (108,921,092) |
| Proceeds from revolving credit | | 72,706,050 | 128,139,320 |
| Repayment of term loan and revolving credit | | (34,186,331) | (195,754,582) |
| Repayment of obligations under finance leases | | (1,446,859) | (1,003,852) |
| Net cash flows used in financing activities | | (133,194,018) | (564,064,740) |
| **Net increase/(decrease) in cash and cash equivalents** | | 105,486,144 | (127,498,226) |
| **Effects of exchange rate changes on cash and cash equivalents** | | 9,857,668 | (10,942,465) |
| **Cash and cash equivalents at beginning of year** | | 293,494,043 | 431,934,734 |
| **Cash and cash equivalents at end of year** | 27 | 408,837,855 | 293,494,043 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

(a) Additions of property, plant and equipment during the financial year were by way of:

| | Group | |
|---|---|---|
| | 2019 RM | 2018 RM |
| Cash | 5,078,448 | 3,170,400 |
| Hire purchase | 602,190 | 2,699,532 |
| | 5,680,638 | 5,869,932 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## 1. Corporate information

Silverlake Axis Ltd. (the Company) is an exempt company with limited liability and incorporated in Bermuda. The holding corporation is Intelligentsia Holding Ltd., a corporation incorporated in Bermuda.

The Company is listed on the Main Board of Singapore Exchange Securities Trading Limited (SGX-ST).

The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business of the Company is located at Lot 5.04, 5th Floor, Menara 1, Faber Towers, Jalan Desa Bahagia, Taman Desa, 58100 Kuala Lumpur, Malaysia.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 13. There have been no significant changes in the nature of these activities during the financial year other than as disclosed in Note 13(a).

## 2. Significant accounting policies

### 2.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements have been prepared on a historical cost basis, except as disclosed in the summary of significant accounting policies below. The financial statements are presented in Ringgit Malaysia ("RM").

The preparation of financial statements in conformity with IFRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.5.

### 2.2 New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS which became effective as of 1 July 2018:

Annual Improvements to IFRSs 2014 - 2016 Cycle:
- Amendments to IFRS 1: First Time Adoption of International Financial Reporting Standards
- Amendments to IAS 28: Investment in Associates and Joint Ventures

Amendments to IFRS 2: Classification and Measurement of Share-Based Payment Transactions
Amendments to IAS 40: Transfers of Investment Property
IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration
IFRS 15: Revenue from Contracts with Customers
IFRS 9: Financial Instruments

The adoption of the above standards did not have any effect on the financial performance or position of the Group and of the Company, except for those described below.

## 2. Significant accounting policies (cont'd)

### 2.2 New and amended standards and interpretations (cont'd)

**IFRS 15 Revenue from Contracts with Customers**

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 July 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to contracts that are not completed as at 1 July 2018.

The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related Interpretations.

The effect of adopting IFRS 15 as at 1 July 2018 was, as follows:

| | Net Increase/(Decrease) RM |
|---|---|
| **Current assets** | |
| Amounts due from customers for contract work-in-progress | (55,829,157) |
| Trade and other receivables | (386,935) |
| Contract assets | 58,186,862 |
| Advance maintenance costs | (1,882,697) |
| Prepayments | (186,301) |
| **Current liabilities** | |
| Amounts due to customers for contract work-in-progress | (43,282,889) |
| Trade and other payables | (2,150,706) |
| Contract liabilities | 100,628,835 |
| Advance maintenance fees | (55,887,662) |
| **Equity** | |
| Retained profits | 594,194 |

## 2. Significant accounting policies (cont'd)

### 2.2 New and amended standards and interpretations (cont'd)

**IFRS 15 Revenue from Contracts with Customers (cont'd)**

Set out below, are the amounts by which each financial statement line item is affected as at 30 June 2019 and for the year then ended as a result of the adoption of IFRS 15. The adoption of IFRS 15 did not have a material impact on other comprehensive income or the Group's operating, investing and financing cash flows. The first column shows amounts prepared under IFRS 15 and the second column shows what the amounts would have been had IFRS 15 not been adopted:

**Consolidated income statement for the financial year ended 30 June 2019**

| | Amounts prepared under | | |
|---|---|---|---|
| | IFRS 15 RM | Previous IFRS RM | Increase/ (Decrease) RM |
| **Revenue** | 680,807,760 | 683,851,491 | (3,043,731) |
| Cost of sales | (254,669,616) | (255,614,818) | (945,202) |
| **Gross profit** | 426,138,144 | 428,236,673 | (2,098,529) |
| **Profit before tax** | 284,725,696 | 286,824,225 | (2,098,529) |
| Income tax expense | (39,159,484) | (39,185,340) | (25,856) |
| **Profit for the year** | 245,566,212 | 247,638,885 | (2,072,673) |
| **Profit for the year attributable to:** | | | |
| Owners of the parent | 245,577,192 | 247,649,865 | (2,072,673) |
| Non-controlling interests | (10,980) | (10,980) | - |
| | 245,566,212 | 247,638,885 | (2,072,673) |
| Earnings per share attributable to the owners of the parent: | | | |
| - Basic (sen) | 9.27 | 9.35 | (0.08) |
| - Diluted (sen) | 9.27 | 9.35 | (0.08) |

## 2. Significant accounting policies (cont'd)

### 2.2 New and amended standards and interpretations (cont'd)

**IFRS 15 Revenue from Contracts with Customers (cont'd)**

Set out below, are the amounts by which each financial statement line item is affected as at 30 June 2019 and for the year then ended as a result of the adoption of IFRS 15. The adoption of IFRS 15 did not have a material impact on other comprehensive income or the Group's operating, investing and financing cash flows. The first column shows amounts prepared under IFRS 15 and the second column shows what the amounts would have been had IFRS 15 not been adopted: (cont'd)

**Statement of financial position as at 30 June 2019**

| | Amounts prepared under | | |
|---|---|---|---|
| | IFRS 15 RM | Previous IFRS RM | Increase/ (Decrease) RM |
| **Non-current assets** | | | |
| Intangible assets | 281,504,938 | 281,080,798 | 424,140 |
| Deferred tax assets | 26,082,336 | 26,034,734 | 47,602 |
| **Net impact to non-current assets** | | | 471,742 |
| **Current assets** | | | |
| Amounts due from customers for contract work-in-progress | - | 51,651,562 | (51,651,562) |
| Trade and other receivables | 134,321,976 | 133,923,990 | 397,986 |
| Contract assets | 57,547,440 | - | 57,547,440 |
| Advance maintenance costs | - | 5,103,522 | (5,103,522) |
| Tax recoverable | 4,260,903 | 4,281,816 | (20,913) |
| **Net impact to current assets** | | | 1,169,429 |
| **Net impact to total assets** | | | 1,641,171 |
| **Equity** | | | |
| Foreign currency translation reserve | 25,563,598 | 25,628,327 | (64,729) |
| Retained profits | 829,984,883 | 831,463,362 | (1,478,479) |
| **Net impact to equity** | | | (1,543,208) |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 33,235,724 | 33,228,231 | 7,493 |
| **Net impact to non-current liabilities** | | | 7,493 |
| **Current liabilities** | | | |
| Amounts due to customers for contract work-in-progress | - | 39,542,843 | (39,542,843) |
| Trade and other payables | 70,666,634 | 75,098,862 | (4,432,228) |
| Contract liabilities | 118,323,243 | - | 118,323,243 |
| Advance maintenance fees | - | 71,164,446 | (71,164,446) |
| Tax payable | 19,104,506 | 19,111,346 | (6,840) |
| **Net impact to current liabilities** | | | 3,176,886 |
| **Net impact to total liabilities** | | | 3,184,379 |

## 2. Significant accounting policies (cont'd)

### 2.2 New and amended standards and interpretations (cont'd)

**IFRS 15 Revenue from Contracts with Customers (cont'd)**

The nature of the adjustments as at 1 July 2018 and the reasons for the significant changes in the statement of financial position as at 30 June 2019 and the consolidated income statement for the year ended 30 June 2019 are described below:

**(a) Identification of separate performance obligations and allocation of transaction price**

IFRS 15 requires the Group to assess the goods or services promised in contracts with customer, both explicit and implicit, if they are separate performance obligations. The Group has identified a small number of maintenance service contracts with customers that contain free man-days which under IFRS 15 are to be accounted for as separate performance obligations. In certain contracts, the Group grants options to the customers to acquire additional goods or services at discounts. Under IFRS 15, options that provide the customers material rights are to be accounted for as separate performance obligations.

For contracts with customers containing multiple performance obligations, i.e. master contracts with bundled services such as software licensing, project implementation services and maintenance services, IFRS 15 requires the transaction price to be allocated to each performance obligation based on their relative stand-alone selling prices. This has resulted in the allocated transaction price of a performance obligation to be different from the contracted price and affected the timing of revenue recognition.

The Group has also allocated a portion of the transaction price to identified free man-days and options. The revenue allocated to these separate performance obligations, have been deferred until they are utilised, exercised, expired or lapsed, and presented within contract liabilities when the consideration is received.

As at 1 July 2018, the adoption of IFRS 15 resulted in an increase in retained profits by RM594,194 and also increase in contract liabilities by RM3,666,323, with corresponding decrease in contract assets and advance maintenance fees by RM98,228 and RM4,358,745 respectively.

For the financial year ended 30 June 2019, the adoption of IFRS 15 resulted in a decrease in revenue from contracts with customers by RM3,043,731. As at 30 June 2019, the adoption of IFRS 15 resulted in a decrease in retained profits by RM2,072,673 and an increase in contract liabilities and contract assets by RM7,615,954 and RM792,356 respectively.

**(b) Other adjustments and reclassifications**

In addition to the adjustments disclosed above, other items of the primary financial statements such as cost of sales, income tax expense, deferred tax, tax recoverable/payable, intangible assets, trade and other receivables/payables and foreign currency translation reserve were adjusted as necessary.

As at 1 July 2018 and 30 June 2019, the Group has reclassified amounts due from/(to) customers for contract work-in-progress and advance maintenance costs/(fees) to contract assets/(liabilities).

## 2. Significant accounting policies (cont'd)

### 2.2 New and amended standards and interpretations (cont'd)

**IFRS 9 Financial Instruments**

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group adopted IFRS 9 prospectively, with an initial application date of 1 July 2018. Comparative information has not been restated and continues to be reported under IAS 39. The adoption of IFRS 9 has no material impact to the financial statements of the Group and the Company other than classification as described below.

**Classification and measurement**

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income ("OCI"). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent solely payments of principal and interest on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact to the Group. The Group continued measuring at fair value all financial assets previously held at fair value under IAS 39. The following are the changes in the classification of the Group's and the Company's financial assets:

- Trade and other receivables, amounts due from subsidiaries and related parties, loans to subsidiaries, and other non-current financial assets classified as loans and receivables (i.e. advances to a joint venture) as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Debt instruments at amortised cost beginning 1 July 2018.

- Investment in quoted equity shares classified as Available-for-sale ("AFS") financial assets as at 30 June 2018 are classified and measured as equity instruments designated at fair value through OCI beginning 1 July 2018. The Group elected to classify irrevocably its investment in quoted equity shares under this category at the date of initial application. There were no impairment losses recognised in profit or loss for these investments in prior periods.

- Investment in money market fund as at 30 June 2018 are classified and measured as financial assets at fair value through profit or loss beginning 1 July 2018.

As a result of the change in classification of the Group's investment in quoted equity shares, the AFS reserve of RM112,813,218 (Note 29(e)) related to those investments was reclassified to fair value reserve of financial assets at fair value through OCI.

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

## 2. Significant accounting policies (cont'd)

### 2.2 New and amended standards and interpretations (cont'd)

**IFRS 9 Financial Instruments (cont'd)**

**Classification and measurement (cont'd)**

In summary, upon the adoption of IFRS 9, the Group and the Company had the following required or elected reclassifications as at 1 July 2018.

| | | IFRS 9 measurement category | | |
|---|---|---|---|---|
| | RM | Amortised cost RM | Fair value through OCI RM | Fair value through profit or loss RM |
| **IAS 39 measurement category** | | | | |
| **Group** | | | | |
| **Loans and receivables** | | | | |
| Trade and other receivables | 139,101,599 | 139,101,599 | - | - |
| Advances to a joint venture | 32,092,701 | 32,092,701 | - | - |
| Amounts due from related parties | 50,027,486 | 50,027,486 | - | - |
| **Available-for-sale** | | | | |
| Quoted equity shares | 189,780,204 | - | 189,780,204 | - |
| Money market fund | 4,559,997 | - | - | 4,559,997 |
| | | 221,221,786 | 189,780,204 | 4,559,997 |
| **Company** | | | | |
| **Loans and receivables** | | | | |
| Trade and other receivables | 144,727 | 144,727 | - | - |
| Advances to a joint venture | 23,108,701 | 23,108,701 | - | - |
| Amounts due from subsidiaries | 15,486 | 15,486 | - | - |
| | | 23,268,914 | - | - |

## 2. Significant accounting policies (cont'd)

### 2.3 Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

| Description | | Effective for annual periods beginning on or after |
|---|---|---|
| IFRS 16 | Leases | 1 January 2019 |
| IFRIC Interpretation 23 | Uncertainty over Income Tax Treatments | 1 January 2019 |
| Amendments to IFRS 9 | Prepayment Features with Negative Compensation | 1 January 2019 |
| Amendments to IAS 28 | Long-term Interests in Associates and Joint Ventures | 1 January 2019 |
| Amentments to IAS 19 | Plan Amendments, Curtailment or Settlement | 1 January 2019 |
| Annual Improvements to IFRSs 2015 - 2017 Cycle | | |
| • Amendments to IFRS 3 | Business Combinations | 1 January 2019 |
| • Amendments to IFRS 11 | Joint Arrangements | 1 January 2019 |
| • Amendments to IAS 12 | Income Taxes | 1 January 2019 |
| • Amendments to IAS 23 | Borrowing Costs | 1 January 2019 |
| Amendments to IFRS 3 | Definition of a Business | 1 January 2020 |
| Amendments to IAS 1 and IAS 8 | Definition of Material | 1 January 2020 |
| The Conceptual Framework for Financial Reporting | | 1 January 2020 |
| IFRS 17 | Insurance Contracts | 1 January 2021 |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Deferred |

The Group intends to adopt these standards when they become effective. The directors of the Company do not anticipate that the application of these standards and interpretations will have a significant impact on the Group's financial statements, except for those described below.

**IFRS 16 Leases**

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease for annual periods beginning on or after 1 January 2019. It sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. It also includes two recognition exemptions for lessees – leases of low-value assets (e.g. personal computers, small items of office equipment) and short-term leases (i.e. leases with a lease term of 12 months or less).

The Group will adopt IFRS 16 by applying the modified retrospective approach, effective 1 July 2019. The comparative figures will not be restated and the cumulative effect of initially applying IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019.

The Group assessed the effect of applying IFRS 16 on the Group's financial statements and identified the areas affected as summarised below:

**(i) Recognition and measurement**

At the commencement date of a lease, the Group will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). The Group will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments), the Group will also be required to remeasure the lease liability. The amount of the remeasurement of the lease liability will be recognised as an adjustment to the right-of-use asset.

## 2. Significant accounting policies (cont'd)

### 2.3 Standards issued but not yet effective (cont'd)

**IFRS 16 Leases (cont'd)**

The Group assessed the effect of applying IFRS 16 on the Group's financial statements and identified the areas affected as summarised below: (cont'd)

**(i) Recognition and measurement (cont'd)**

The Group will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Group will therefore not apply the requirements of IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Group will elect to apply the exemptions proposed in IFRS 16 on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has leases of some office equipment (i.e. personal computers, printing and photocopying machines) that are considered of low value.

**(ii) Presentation and disclosure requirements**

The presentation and disclosure requirements of lessee in IFRS 16 are enhanced relative to IAS 17. Many of the disclosure requirements in IFRS 16 are new and the notes to the financial statements have to be expanded to include the disclosure of significant accounting policies, significant judgements made in the process of applying the accounting policies and the assumptions made about the future and other major sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year.

IFRS 16 requires the presentation of right-of-use assets and lease liabilities as current or non-current in the statements of financial position.

The effect of adopting IFRS 16 as at 1 July 2019 is expected to be as follows:

| | Increase/(Decrease)<br>RM |
|---|---|
| **Non-current assets** | |
| Property, plant and equipment | (3,398,916) |
| Right-of-use assets | 31,231,213 |
| **Non-current liabilities** | |
| Loans and borrowings | |
| - Obligations under finance leases | (2,423,648) |
| - Lease liabilities | 23,192,536 |
| **Current liabilities** | |
| Loans and borrowings | |
| - Obligations under finance leases | (1,151,734) |
| - Lease liabilities | 9,562,175 |
| **Equity** | |
| Retained profits | (1,347,032) |

## 2. Significant accounting policies (cont'd)

### 2.4 Summary of significant accounting policies

#### (a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2019.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interests;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any resultant gain or loss in profit or loss; and
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

## 2. Significant accounting policies (cont'd)

### 2.4 Summary of significant accounting policies (cont'd)

**(b) Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Contingent consideration, resulting from business combinations, is recognised at fair value at the acquisition date. Contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. If the contingent consideration is not within the scope of IFRS 9, it is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Business combinations involving entities under common control are accounted for by applying the pooling of interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the equity of the "acquired" entity is reflected within equity as merger reserve. The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities have always been combined since the date the entities had come under common control.

Expenditure incurred in relation to a common control combination is recognised as an expense in the period in which it is incurred. Such expenditure includes professional fees, registration fees and all other incidental expenses.

## 2. Significant accounting policies (cont'd)

### 2.4 Summary of significant accounting policies (cont'd)

#### (c) Associates and joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investment in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment seperately.

The income statement reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the income statement outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within 'Share of loss of a joint venture and associate' in the income statement.

If the Group's ownership interest in an associate or a joint venture is reduced, but the Group continues to apply the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

## 2. Significant accounting policies (cont'd)

### 2.4 Summary of significant accounting policies (cont'd)

**(d) Investments in subsidiaries, associate and joint venture**

Investments in subsidiaries, associate and joint venture are carried at cost less accumulated impairment losses in the Company's statement of financial position. Where an indication of impairment exists, the carrying amounts of the investments are assessed and written down immediately to its recoverable amount. The policy for recognition and measurement of impairment losses is in accordance with Note 2.4(o).

On disposal of investments in subsidiaries, associate and joint venture, the difference between net disposal proceeds and the carrying amounts of the investments are recognised in the Company's income statement.

**(e) Transaction with non-controlling interests**

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the income statement of the Group and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

Transactions with non-controlling interests are accounted for using the entity concept method, whereby, transactions with non-controlling interests are accounted for as transactions with owners. On acquisition of non-controlling interests, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal of non-controlling interests is recognised directly in equity.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

**(f) Foreign currency translation**

The Group's consolidated financial statements are presented in Ringgit Malaysia, which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

**(i) Transactions and balances**

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rates of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are recognised in income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

## 2. Significant accounting policies (cont'd)

### 2.4 Summary of significant accounting policies (cont'd)

**(f) Foreign currency translation (cont'd)**

**(ii) Group companies**

On consolidation, the assets and liabilities of foreign operations are translated into Ringgit Malaysia at the rate of exchange prevailing at the reporting date and their income statements are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates at the dates of the transactions). The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to income statement.

Any goodwill arising on the acquisition of a foreign operation subsequent to 1 July 2010 and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Prior to 1 July 2010, the Group treated goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition, as assets and liabilities of the parent. Therefore, those assets and liabilities are already expressed in the functional currency or are non-monetary items and no further translation differences occur.

**(g) Revenue recognition**

**Current financial year**

**Revenue from contracts with customers**

The Group is in the business of providing digital economy solutions such as software licensing, software implementation and maintenance services, sale of software and hardware products, credit and cards processing and Software-as-a-Service for insurance platform. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, since it typically controls the goods or services before transferring them to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 2.5.

**(i) Software licensing**
Revenue from software licensing is recognised at a point in time when there are no remaining obligations in accordance with the substance of the agreement. When there are no obligations subsequent to the delivery of the software source codes, license fees are recognised upon transfer of title to the customer, which takes place upon delivery and customer acceptance.

When there is significant modification required subsequent to the delivery of the software source codes, the performance obligation on software licensing is satisfied over time, which revenue is recognised using the input method in measuring the progress towards complete satisfaction of the performance obligation. Payment is generally due upon completion of customisation and acceptance by the customer.

**(ii) Software project services**
Revenue from the rendering of software project services is recognised over time. The Group uses the input method in measuring progress towards complete satisfaction of software project services, by reference to the actual cost for work performed to date bear to the estimated total costs for each contract, as disclosed in Note 2.4(h).

## 2. Significant accounting policies (cont'd)

### 2.4 Summary of significant accounting policies (cont'd)

**(g) Revenue recognition (cont'd)**

**Current financial year (cont'd)**

**Revenue from contracts with customers (cont'd)**

**(iii) Maintenance and enhancement services**

The Group provides maintenance and enhancement services that are either sold separately or bundled together with software licensing and software project services to a customer.

Contracts for bundled software project services and maintenance services comprise multiple performance obligations as the promises to perform the software implementation and to provide maintenance services subsequent to the completion of software implementation are capable of being distinct and separately identifiable. Accordingly, the Group allocates the transaction price based on the relative stand-alone selling prices of each performance obligation.

The Group recognises revenue from maintenance services over the contractual period and enhancement services over time using an input method to measure progress towards complete satisfaction of the service, as the customer simultaneously receives and consumes the benefits provided by the Group.

**(iv) Sale of software and hardware products**

Revenue from the sale of software and hardware products is recognised at a point in time upon delivery of products and customer acceptance, net of discounts.

When another party is involved in providing the software and hardware to its customer, the Group determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. The Group is a principal and records revenue on a gross basis when it controls the promised goods or services before transferring them to the customer (e.g. provides services of integrating software and hardware products provided by another party into the specified service for which the customer has contracted). When the Group's role is only to arrange for another party to provide the software and hardware products, the Group is an agent and records revenue at the net amount that it retains for its agency services.

**(v) Credit and cards processing**

Revenue on credit and cards processing comprises processing fees received from customers which are recognised at a point of time, and maintenance and enhancement services which are recognised over time. The payments for these services are generally due upon rendering of services and acceptance by customer respectively.

**(vi) Software-as-a-Service - Insurance processing**

Revenue on insurance processing comprises subscriptions received from customers which is recognised at a point in time and integration services which is recognised over time. The payments for these services are generally due upon rendering of services and acceptance by customers respectively.

The Group considers whether there are other promises in each of the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. options to acquire additional licensing or services at a discount and free man-days or maintenance services for specified period in bundled contract). The Group allocates a portion of the transaction price to each separate performance obligation identified. The revenue allocated to these separate performance obligations are deferred until they are utilised, exercised, expired or lapsed, and presented within contract liabilities when the consideration is received.

## 2. Significant accounting policies (cont'd)

### 2.4 Summary of significant accounting policies (cont'd)

**(g) Revenue recognition (cont'd)**

**Current financial year (cont'd)**

**Contract balances**

**(i) Contract assets**
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

**(ii) Trade receivables**
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). The accounting policies of financial assets are as disclosed in Note 2.4(p).

**(iii) Contract liabilities**
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

**Previous financial year**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being received. Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities, taking into account contractually defined terms of payment and excluding taxes or duty.

The specific recognition criteria described below must also be met before revenue is recognised.

**(i) Software licensing**
Revenue from software licensing is recognised when there are no remaining obligations in accordance with the substance of the agreement. When there are no obligations subsequent to the delivery of the software source codes and the risks and rewards of ownership have been transferred, license fees are recognised upon transfer of title to the customer, which takes place after delivery and customer acceptance.

When there is significant modification required subsequent to the delivery of the software source codes, revenue from software licensing is accounted for under the percentage of completion method. The stage of completion is measured by reference to the actual cost for work performed to date bear to the estimated total costs for each contract as disclosed in Note 2.4(h).

**(ii) Software project services**
Revenue relating to rendering of software project services is accounted for under the percentage of completion method. The stage of completion is measured by reference to the actual cost for work performed to date bear to the estimated total costs for each contract as disclosed in Note 2.4(h).

**(iii) Maintenance and enhancement services**
Revenue on maintenance and enhancement services is recognised over the contractual period or performance of services.

## 2. Significant accounting policies (cont'd)

### 2.4 Summary of significant accounting policies (cont'd)

**(g) Revenue recognition (cont'd)**

**Previous financial year (cont'd)**

The specific recognition criteria described below must also be met before revenue is recognised. (cont'd)

**(iv) Sale of software and hardware products**
Revenue relating to sale of software and hardware products is recognised upon delivery of products and customer acceptance, net of discounts.

**(v) Credit and cards processing**
Revenue on credit and cards processing is recognised upon the rendering of services to customers.

**(vi) Software-as-a-Service - Insurance processing**
Revenue on insurance processing is recognised upon the rendering of claim processing services.

**Other revenue**

**(i) Interest income**
Interest income is recognised using the effective interest method.

**(ii) Dividend income**
Dividend income is recognised when the right to receive payment is established.

**(iii) Commission income**
Commission income is recognised as earned when the right to receive the commission is established.

**(h) Income recognition on contracts**

Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the progress towards complete satisfaction of a performance obligation in the contract at the reporting date, when the outcome of a contract can be estimated reliably. When the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred. An expected loss on the contract is recognised as an expense immediately when it is probable that total contract costs will exceed total revenue.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in the contract work and claims to the extent that it is probable that they will result in revenue and they are capable of being reliably measured. Effective 1 July 2018, contract revenue is adjusted based on the stand-alone selling prices for contracts with bundled services in accordance with the requirements for determining the transaction price in IFRS 15.

The progress towards complete sastisfaction of a performance obligation in a contract is determined by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Contract costs include staff costs, allowances and other directly attributable costs.

**(i) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset, that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs ceases when all activities necessary to prepare the qualifying asset for its intended use or sale are completed.

## 2. Significant accounting policies (cont'd)

### 2.4 Summary of significant accounting policies (cont'd)

**(i) Borrowing costs (cont'd)**

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of borrowing costs applicable to borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of financing a specific qualifying asset, in which case the actual borrowing cost incurred on that borrowing less any investment income on the temporary investment of that borrowings, will be capitalised.

All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**(j) Taxes**

**Current income tax**

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

**Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unutilised tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unutilised tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

## 2. Significant accounting policies (cont'd)

### 2.4 Summary of significant accounting policies (cont'd)

**(j) Taxes (cont'd)**

**Deferred tax (cont'd)**

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

**Sales tax**

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- when the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and

- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

**(k) Current versus non-current classification**

The Group presents assets and liabilities in statements of financial position based on current/non-current classification.

An asset is current when it is:
- expected to be realised or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

## 2. Significant accounting policies (cont'd)

### 2.4 Summary of significant accounting policies (cont'd)

**(k) Current versus non-current classification (cont'd)**

A liability is current when:
- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

**(l) Property, plant and equipment**

**(i) Measurement**

**Land**
Land is initially recognised at cost. Freehold land is subsequently carried at cost less accumulated impairment losses.

**Other property, plant and equipment**
All other items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

**Components of costs**
The cost of an item of property, plant and equipment includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Such costs also include the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

**(ii) Depreciation**

Freehold land has unlimited useful life and therefore is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives. The principal annual depreciation rates are as follows:

| | |
|---|---|
| Furniture and fittings | 10% - 20% |
| Motor vehicles | 15% |
| Office equipment | 10% - 33% |

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed at each reporting date and adjusted prospectively, if appropriate.

## 2. Significant accounting policies (cont'd)

### 2.4 Summary of significant accounting policies (cont'd)

**(l) Property, plant and equipment (cont'd)**

**(iii) Subsequent expenditure**

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expense is recognised in the income statement when incurred.

**(iv) Disposal**

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

**(m) Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

**Group as a lessee**

A lease is classified at the inception date as a finance lease or operating lease.

Finance leases that transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

**Group as a lessor**

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

## 2. Significant accounting policies (cont'd)

### 2.4 Summary of significant accounting policies (cont'd)

#### (n) Intangible assets

##### (i) Software development expenditure

Software development expenditure comprises purchased software, manpower and related overhead incurred directly in the development of computer software. Software development expenditures are recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete and use or sell the asset;
- the ability to use or sell the intangible asset generated;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

Following initial recognition of the software development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit (to the maximum of 10 years), at the principal annual amortisation rate of 10% to 20%. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

Software development expenditures which are not or have ceased to be commercially viable are written off. The policy for recognition and measurement of impairment losses is in accordance with Note 2.4(o).

##### (ii) Other intangible assets

Other intangible assets of the Group comprise purchased software, proprietary software, customer relationship and customer contracts.

Other intangible assets acquired separately are measured on initial recognition at cost. The costs of intangible assets acquired in a business combination are their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding software development expenditures, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Other intangible assets with finite lives are amortised over the economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible assets.

## 2. Significant accounting policies (cont'd)

### 2.4 Summary of significant accounting policies (cont'd)

**(n) Intangible assets (cont'd)**

**(ii) Other intangible assets (cont'd)**

Other intangible assets of the Group are amortised on a straight-line basis over their estimated economic useful lives, as follows:

| | |
|---|---|
| Purchased software | 10 years |
| Proprietary software | 10 years |
| Customer relationship | 2 - 12 years |
| Customer contracts | 2 years |

An intangible asset is derecognised upon disposal (i.e. at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

**(o) Impairment of non-financial assets**

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The value in use calculation is based on a Discounted Cash Flows ("DCF") model. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group has not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. A long-term growth rate is calculated and applied to project future cash flows after the fifth year. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill recognised by the Group. The key assumptions used to determine the recoverable amount for different CGUs, including a sensitivity analysis are further explained in Note 2.5.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGUs' recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

## 2. Significant accounting policies (cont'd)

### 2.4 Summary of significant accounting policies (cont'd)

**(o) Impairment of non-financial assets (cont'd)**

**Goodwill**

Goodwill is tested for impairment annually (as at 30 June) and when circumstances indicate that the carrying value may be impaired.

Impairment of goodwill is determined by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

**(p) Financial instruments – Initial recognition and subsequent measurement**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**(i) Financial assets**

**Current financial year**

**Initial recognition and measurement**

Financial assets within the scope of IFRS 9 are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. The accounting policies of revenue from contracts with customers are as disclosed in Note 2.4(g).

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

The Group's and the Company's financial assets comprise financial assets measured at amortised cost, fair value through OCI, and fair value through profit or loss.

## 2. Significant accounting policies (cont'd)

### 2.4 Summary of significant accounting policies (cont'd)

**(p) Financial instruments – Initial recognition and subsequent measurement (cont'd)**

**(i) Financial assets (cont'd)**

**Current financial year (cont'd)**

**Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's and the Company's financial assets at amortised cost include trade and other receivables, amounts due from related parties, amounts due from subsidiaries, loans to subsidiaries and advances to a joint venture (included within interest in a joint venture).

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its investment in quoted equity shares under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

## 2. Significant accounting policies (cont'd)

### 2.4 Summary of significant accounting policies (cont'd)

**(p) Financial instruments – Initial recognition and subsequent measurement (cont'd)**

**(i) Financial assets (cont'd)**

**Current financial year (cont'd)**

**Subsequent measurement (cont'd)**

Financial assets at fair value through profit or loss (cont'd)

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

The Group's and the Company's financial assets at fair value through profit or loss include investment in money market fund and derivative instrument which the Group and the Company had not irrevocably elected to classify at fair value through OCI.

**Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

## 2. Significant accounting policies (cont'd)

### 2.4 Summary of significant accounting policies (cont'd)

**(p) Financial instruments – Initial recognition and subsequent measurement (cont'd)**

**(i) Financial assets (cont'd)**

**Current financial year (cont'd)**

**Impairment of financial assets**

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

**Previous financial year**

**Initial recognition and measurement**

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

The Group's and the Company's financial assets include loans and receivables financial assets, which include cash and short-term deposits, trade and other receivables, amounts due from subsidiaries and related parties, loans, and available-for-sale financial assets.

## 2. Significant accounting policies (cont'd)

### 2.4 Summary of significant accounting policies (cont'd)

**(p) Financial instruments – Initial recognition and subsequent measurement (cont'd)**

**(i) Financial assets (cont'd)**

**Previous financial year (cont'd)**

**Subsequent measurement**

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate ("EIR") method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs for loans and in cost of sales or other operating expenses for receivables.

Available-for-sale ("AFS") financial assets

AFS financial assets are those that are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the income statement in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

**Derecognition**

There is no difference in the derecognition requirements under IFRS 9 and IAS 39.

## 2. Significant accounting policies (cont'd)

### 2.4 Summary of significant accounting policies (cont'd)

**(p) Financial instruments – Initial recognition and subsequent measurement (cont'd)**

**(i) Financial assets (cont'd)**

**Previous financial year (cont'd)**

**Impairment of financial assets**

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the income statement.

Available-for-sale ("AFS") financial assets

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

## 2. Significant accounting policies (cont'd)

### 2.4 Summary of significant accounting policies (cont'd)

**(p) Financial instruments – Initial recognition and subsequent measurement (cont'd)**

**(i) Financial assets (cont'd)**

**Previous financial year (cont'd)**

**Impairment of financial assets (cont'd)**

Available-for-sale ("AFS") financial assets (cont'd)

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from OCI and recognised in the income statement. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

**(ii) Financial liabilities**

**Current financial year**

**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's and the Company's financial liabilities include trade and other payables, amounts due to related parties, amount due to holding company, amounts due to subsidiaries, put liability, loans and borrowings and derivative liability.

## 2. Significant accounting policies (cont'd)

### 2.4 Summary of significant accounting policies (cont'd)

**(p) Financial instruments – Initial recognition and subsequent measurement (cont'd)**

**(ii) Financial liabilities (cont'd)**

**Current financial year (cont'd)**

**Subsequent measurement**

The subsequent measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group's and the Company's financial liabilities designated at fair value through profit or loss are contingent consideration for business combination, put liability and derivative liability.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the income statement.

**Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

## 2. Significant accounting policies (cont'd)

### 2.4 Summary of significant accounting policies (cont'd)

**(p) Financial instruments – Initial recognition and subsequent measurement (cont'd)**

**(ii) Financial liabilities (cont'd)**

**Previous financial year**

**Initial recognition and measurement**

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's and the Company's financial liabilities include trade and other payables, amounts due to related parties, amount due to holding company, amounts due to subsidiaries, and loans and borrowings.

**Subsequent measurement**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

**Derecognition**

There is no difference in the derecognition requirements under IFRS 9 and IAS 39.

**(iii) Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if:

- there is a currently enforceable legal right to offset the recognised amounts; and
- there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**(q) Fair value measurement**

The Group measures financial instruments at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

## 2. Significant accounting policies (cont'd)

### 2.4 Summary of significant accounting policies (cont'd)

**(q) Fair value measurement (cont'd)**

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. The methods and assumptions used to estimate the fair values of the Group's and the Company's financial instruments are disclosed in Note 41(e).

**(r) Inventories**

Inventories are valued at the lower of cost and net realisable value.

The cost of inventories is calculated using the first-in/first-out method, and includes expenditure incurred in bringing the inventories to its present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

**(s) Cash and bank balances**

Cash and bank balances in the statements of financial position comprise cash at banks and on hand and short-term deposits.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits with a maturity of three months or less, and are subject to an insignificant risk of changes in values, net of pledged deposits and outstanding bank overdraft.

**(t) Share capital and share issuance expenses**

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against the share capital.

## 2. Significant accounting policies (cont'd)

### 2.4 Summary of significant accounting policies (cont'd)

**(u) Treasury shares**

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity.

No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share premium. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them.

**(v) Share-based payment transactions**

**Equity-settled transactions - Performance share plan ("PSP")**

Employees of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of equity-settled transactions is measured by reference to the fair value of shares at the date when the award is granted using an appropriate valuation model.

The cost of equity-settled transactions is recognised in employee benefits expense, together with a corresponding increase in the PSP reserve in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transaction for which vesting is conditional upon a market or non-vesting condition. These are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the performance shares are released on the release date, the PSP reserve is transferred to share capital if new shares are issued, or to treasury shares if the performance shares are satisfied by the reissuance of treasury shares.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, if the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of performance shares awarded but not yet vested is reflected as additional share dilution in the computation of diluted earnings per share.

**(w) Provisions**

**General**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

## 2. Significant accounting policies (cont'd)

### 2.4 Summary of significant accounting policies (cont'd)

**(w) Provisions (cont'd)**

**General (cont'd)**

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**Contingent liabilities recognised in a business combination**

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of:

- the amount that would be recognised in accordance with the general requirements for provisions above; or
- the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the requirements for revenue recognition.

**(x) Employee benefits**

**(i) Defined contribution plans**

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Employees' Provident Fund on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions are recognised as employee compensation expense in the period in which the related service is performed, unless they can be capitalised as an asset.

**(ii) Employee leave entitlement**

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

**(y) Defined benefit plans**

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation (derived using a discount rate based on high quality corporate bonds) at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in income statement. Past service costs are recognised when plan amendment or curtailment occurs.

## 2. Significant accounting policies (cont'd)

### 2.4 Summary of significant accounting policies (cont'd)

**(y) Defined benefit plans (cont'd)**

Net interest on the net defined benefit liability or asset is the change in the net defined benefit liability or asset during the period, that arises from the passage of time and determined by applying the discount rate based on high quality corporate bonds to measure the net defined benefit liability or asset. The net interest is recognised as expense or income in profit or loss.

Remeasurements, comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognised as a separate asset at fair value when and only when reimbursement is virtually certain.

**(z) Related parties**

A related party is defined as follows:

(i) A person or a close member or that person's family is related to the Group and the Company if that person:

(1) Has control or joint control over the Company;
(2) Has significant influence over the Company; or
(3) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(ii) An entity is related to the Group and the Company if any of the following condition applies:

(1) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(3) Both entities are joint ventures of the same third party.
(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(5) The entity is a post-employment benefit plan for the benefit of employees of either the Company or any entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
(6) The entity is controlled or jointly controlled by a person identified in (i).
(7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

## 2. Significant accounting policies (cont'd)

### 2.4 Summary of significant accounting policies (cont'd)

**(aa) Contingencies**

A contingent liability is:

(i) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(ii) A present obligation that arises from past events but is not recognised because:

- it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

**(ab) Segment reporting**

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 44, including the factors used to identify the reportable segments and the measurement basis of segment information.

### 2.5 Significant accounting estimates and judgements

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in the future periods.

**Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

## 2. Significant accounting policies (cont'd)

### 2.5 Significant accounting estimates and judgements (cont'd)

**Key sources of estimation uncertainty (cont'd)**

**(a) Measurement of progress towards complete satisfaction of software project services**

The Group uses the input method in measuring progress towards complete satisfaction of software project services in accounting for its contract revenue for rendering of software project services where it is probable that contract costs are recoverable. The progress towards complete satisfaction of software project services is measured by reference to the contract costs incurred to date bear to the estimated total costs for the contract.

Significant judgement is required in determining the progress towards complete satisfaction of software project services, the extent of the contract costs incurred and the estimated total contract costs, as well as the recoverability of the contract costs. In making the judgement, the Group evaluates based on its past experience of similar types of contracts.

Sensitivity analysis on the estimated remaining contract costs
If the estimated remaining contract costs (excluding sub-contractor fees) for material contracts increase by 10%, the net profit of the Group will decrease by approximately RM2,676,000 (2018: RM1,265,000).

**(b) Impairment of goodwill**

An impairment exists when the carrying value of an asset or cash-generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions in arm's length transactions of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flows model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group has not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested.

The recoverable amount is most sensitive to the discount rate used for the discounted cash flows model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs are further explained in Note 12. In the current financial year, an impairment loss of RM14,056,000 (2018: Nil) (Note 12) has been recognised on goodwill.

Sensitivity analysis on discount rate and growth rate used
On the basis that all other assumptions in calculation remain constant, an increase of 1% in discount rate and decrease of 1% in growth rate would result in additional impairment and the net profit of the Group for the current financial year will decrease by approximately RM3,485,000 and RM2,729,000 respectively (2018: Nil).

**(c) Impairment of investments in subsidiaries**

The Company assesses, at each reporting date, whether there is an indication that the investments in subsidiaries may be impaired. Where an indication of impairment exists, recoverable value is assessed based on an estimate of the value in use of the subsidiaries. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the subsidiaries and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Company's investments in subsidiaries as at 30 June 2019 is RM2,246,199,153 (2018: RM2,218,334,773) (Note13).

The carrying value of the Company's investments in subsidiaries has been tested for impairment by discounting the total estimated future cash flows of the subsidiaries' business using growth rate ranging from 0% to 5% (2018: 0% to 5%) and discount rate ranging from 11% to 16% (2018: 10% to 15%), varying in accordance to country and industry, taking into consideration the nature and basis for valuation adjustments and calculations. In the current financial year, impairment losses of RM35,982,968 (2018: RM34,198,000) (Note 13) has been recognised on investments in subsidiaries.

## 2. Significant accounting policies (cont'd)

### 2.5 Significant accounting estimates and judgements (cont'd)

**Key sources of estimation uncertainty (cont'd)**

**(c) Impairment of investments in subsidiaries (cont'd)**

Sensitivity analysis on discount rate and growth rate used
On the basis that all other assumptions in calculation remain constant, an increase of 1% in discount rate and decrease of 1% in growth rate would result in additional impairment in the Company's statement of financial position, as follows:

| | Potential impairment | | | |
|---|---|---|---|---|
| | Discount rate increases by 1% | | Growth rate decreases by 1% | |
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| QR Technology Sdn. Bhd. | 6,666,000 | 6,902,000 | 4,693,000 | 4,580,000 |
| Symmetric Payments & Integration Holdings Pte. Ltd. | 3,485,000 | - | 2,729,000 | - |
| | 10,151,000 | 6,902,000 | 7,422,000 | 4,580,000 |

**(d) Provision for expected credit losses ("ECLs") of trade receivables and contract assets**

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e. by geographical region).

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. If forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated with the changes in the forward-looking estimates.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs require estimation. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may not be representative of customer's actual default in the future.

The carrying amount of the Group's trade receivables and contract assets at the reporting date is disclosed in Note 19 and Note 20 respectively. The assessment of credit risk and the information about the ECLs on the Group's trade receivables and contract assets are disclosed in Note 41(c).

## 2. Significant accounting policies (cont'd)

### 2.5 Significant accounting estimates and judgements (cont'd)

**Key sources of estimation uncertainty (cont'd)**

**(e) Business combination**

**(i) Accounting for the acquisition of SIA X Infotech Group ("XIT")**

The Group acquired XIT and two of its subsidiaries (collectively, the "XIT Group") in the current financial year. The acquisition of XIT Group resulted in the recognition of provisional intangible assets and goodwill amounting to RM37,168,849 and RM41,422,234 respectively (Note 13(a)) on the acquisition date, subject to the completion of the allocation of the purchase price to the respective assets and liabilities acquired. In accordance with IFRS 3, the accounting for the business combination shall be completed within one year from the acquisition date.

The acquisition of XIT Group has also resulted in the recognition of a derivative asset for the call option of RM9,366,693 and a financial liability for put option over the shares held by non-controlling interest of RM12,588,232 in the consolidated financial statements. In the Company's statement of financial position, the acquisition has resulted in the recognition of a derivative asset for the call option of RM9,366,693 and derivative liability for the put option of RM1,070,705.

Sensitivity analysis on discount rate and growth rate used
The derivative asset for call option and derivative liability for put option is most sensitive to the discount rate and growth rate used in valuing the options. On the basis that all other assumptions in calculation remain constant, an increase or decrease of 1% in discount rate and a decrease or increase of 1% in growth rate would result in an increase or decrease in the value of derivative asset and derivative liability as follows:

| | Group and Company (Decrease)/Increase Call option RM |
|---|---|
| If discount rate increases by 1% | (1,325,074) |
| If discount rate decreases by 1% | 3,650,856 |
| If growth rate decreases by 1% | (705,104) |
| If growth rate increases by 1% | 2,810,356 |

| | Company Increase/(Decrease) Put option RM |
|---|---|
| If discount rate increases by 1% | 243,157 |
| If discount rate decreases by 1% | (439,511) |
| If growth rate decreases by 1% | 121,905 |
| If growth rate increases by 1% | (360,489) |

The details on the acquisition of subsidiaries are disclosed in Note 13(a).

## 2. Significant accounting policies (cont'd)

### 2.5 Significant accounting estimates and judgements (cont'd)

**Key sources of estimation uncertainty (cont'd)**

**(e) Business combination (cont'd)**

**(ii) Fair value of contingent consideration payable**

The Group acquired XIT Group in the current financial year and Silverlake Investment Ltd. and three of its subsidiaries (collectively, the "SIL Group") in the previous financial year. The purchase consideration for these two acquisitions includes contingent consideration to be determined based on the acquired entities achieving the set performance targets. In arriving at the fair value of the contingent consideration payable, the Group determines the probability of meeting the performance targets and the discount rate.

On the acquisition dates, the fair value of contingent consideration payable for the acquisition of XIT Group and SIL Group were RM4,628,529 (Note 13(a)) and RM233,743,461 (Note 13(b)) respectively. The carrying amount of the contingent consideration payable at the end of reporting date is disclosed in Note 34.

Sensitivity analysis on discount rate and gross profit margin used
The fair value of contingent consideration payable is most sensitive to the discount rate and gross profit margin used for discounting the possible payout. On the basis that all other assumptions in calculation remain constant, an increase or decrease of 1% in discount rate and gross profit margin would result in a decrease or increase in the contingent consideration payable, as follows:

| | Group and Company | | | |
|---|---|---|---|---|
| | Discount rate increases by 1% | | Discount rate decreases by 1% | |
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| **(Decrease)/Increase in contingent consideration payable for the acquisition of:** | | | | |
| - SIL Group | (2,870,416) | (5,276,186) | 2,930,811 | 5,448,361 |

| | Gross profit margin increases by 1% | | Gross profit margin decreases by 1% | |
|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| **Increase/(Decrease) in contingent consideration payable for the acquisition of:** | | | | |
| - SIL Group | 2,586,763 | 10,301,903 | (2,586,763) | (10,301,903) |

## 2. Significant accounting policies (cont'd)

### 2.5 Significant accounting estimates and judgements (cont'd)

**Key sources of estimation uncertainty (cont'd)**

**(f) Income and deferred tax**

The Group is subject to income taxes in numerous jurisdictions in which the Group operates. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for tax based on estimates of assessment of the tax liability due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognised for all unutilised tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Group has RM91,465,950 (2018: RM104,931,783) of tax losses carried forward. These losses relate to subsidiaries that have a history of losses and may not be used to offset taxable income elsewhere in the Group. The subsidiaries have no taxable temporary differences nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward.

If the Group was able to recognise these unrecognised deferred tax assets, profit and equity would have increased by RM21,153,406 (2018: RM22,974,879). Further details on taxes are disclosed in Note 9 and Note 33.

**Judgements made in applying accounting policies**

In the process of applying the Group's accounting policies, management has made the following judgements, which have significant effect on the amounts recognised in the consolidated financial statements.

**(a) Determination of functional currency**

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the environment in which the entities operate and the entities' process of determining sales prices.

## 2. Significant accounting policies (cont'd)

### 2.5 Significant accounting estimates and judgements (cont'd)

**Judgements made in applying accounting policies (cont'd)**

**(b) Revenue from contracts with customers**

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

(i) Identifying separate performance obligations in a bundled contract

The Group provides software license, implementation, enhancement and maintenance services that are either sold separately or bundled together to a customer. These promises are part of the negotiated exchange between the Group and the customer.

The Group determined that for software that is to be substantially customised to add significant new functionality to enable the software to interface with other software applications used by the customer, both the license and the implementation services are not capable of being distinct. The contract result in a promise to provide a significant service of integrating the licenced software into the existing software system by performing a customisation. In other words, the Group is using the licence and the customisation as inputs to produce the combined output (i.e. a functional and integrated software system). The software is significantly modified and customised by the implementation service.

The Group also determined that the promises to transfer the customised software solution and to provide maintenance services are distinct within the context of the contract. The customised software solution and maintenance services are not inputs to a combined item in the contract. The Group is not providing a significant integration service as the presence of the customised software solution and maintenance services together in this contract do not result in any additional or combined functionality and neither the customised software solution nor the maintenance services modify or customise the other. In addition, the customised software solution and maintenance services are not highly interdependent or highly interrelated since the Group would be able to transfer the customised software solution even if the customer does not engage the Group for the maintenance services.

The Group also identified a small number of maintenance service contracts with customers that contain free man-days and certain contracts that grants options to customers to acquire additional goods or services at discounts. The free man-days and the options that provide the customers material rights are accounted for as separate performance obligations.

(ii) Determining the timing of satisfaction of performance obligations

The Group concluded that revenue from the provision of software implementation services is to be recognised over time because the Group creates or enhances the customised software solution that the customer controls as it is created or enhanced; and the Group's performance does not create a software solution with alternative use and the Group has a right to payment for performance completed to date.

The Group determined that the input method is the best method in measuring progress of the implementation services because there is a direct relationship between the Group's effort and the transfer of implementation service to the customer.

For maintenance services, the Group concluded that revenue is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group. The fact that another entity would not need to re-perform the maintenance services that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance as it performs.

## 3. Revenue

| | Group | |
|---|---|---|
| | 2019 RM | 2018 RM |
| **Sale of goods or rendering of services** | | |
| Software licensing | 100,654,052 | 39,976,023 |
| Software project services | 102,911,087 | 51,832,406 |
| Maintenance and enhancement services | 421,804,060 | 391,973,002 |
| Sale of software and hardware products | 11,041,089 | 8,044,173 |
| Credit and cards processing | 10,978,900 | 19,631,173 |
| Software-as-a-Service - Insurance processing | 33,418,572 | 30,309,326 |
| **Total revenue from contracts with customers** | 680,807,760 | 541,766,103 |
| **Timing of revenue recognition** | | |
| At a point in time | 59,215,033 | 39,063,831 |
| Over time | 621,592,727 | 502,702,272 |
| **Total revenue from contracts with customers** | 680,807,760 | 541,766,103 |

**Performance obligations**
Information about the Group's performance obligations are summarised below:

**(a) Software licensing**

The performance obligation is satisfied at a point in time when there are no obligations subsequent to the delivery of the software source codes, and payment is due upon transfer of title to the customer, which takes place upon delivery and acceptance by customer.

When there is significant modification required subsequent to the delivery of the software source codes, the performance obligation on software licensing is satisfied over time, where revenue is recognised using the input method in measuring the progress towards complete satisfaction of the performance obligation. Payment is generally due upon completion of customisation and acceptance by the customer.

Included in software licensing revenue disclosed above is software licensing revenue recognised over time using the input method amounting to RM83,233,930 (2018: RM38,445,077).

**(b) Software project services**

The performance obligation is satisfied over time and payment is generally due upon completion of customisation and acceptance by the customer. In some contracts, short-term advances are required before the customisation service is provided.

In compliance with IFRS 15, software licensing together with project services which involves significant customisation are treated as a single performance obligation. For IFRS 15 disclosure purpose, total software licensing and software project services revenue recognised over time amounting to RM186,145,017 (2018: RM90,277,483).

**(c) Maintenance and enhancement services**

Revenue from maintenance and enhancement services comprise two separate performance obligations i.e. maintenance services and enhancement services, amounting to RM196,577,554 and RM225,226,506 (2018: RM183,843,763 and RM208,129,239) respectively.

Maintenance services is satisfied over time and payment is generally due in advance at the beginning of the maintenance period.

## 3. Revenue (cont'd)

**Performance obligations (cont'd)**
Information about the Group's performance obligations are summarised below: (cont'd)

**(c) Maintenance and enhancement services (cont'd)**

Enhancement services is satisfied over time and payment is generally due upon completion of customisation and acceptance by the customer. In some contracts, short-term advances are required before the customisation service is provided.

**(d) Sale of software and hardware products**

The performance obligation is satisfied at a point in time and payment is due upon delivery and acceptance by customer.

**(e) Credit and cards processing**

Revenue on credit and cards processing comprises processing fees received from customers which are recognised at a point in time, and maintenance and enhancement services which are recognised over time amounting to RM140,780 and RM10,838,120 (2018: RM818,909 and RM18,812,264) respectively. Payments for these services are generally due upon rendering of services and acceptance by the customer respectively.

**(f) Software-as-a-Service - Insurance processing**

Revenue on insurance processing comprises subscriptions received from customers which is recognised at a point in time and integration services which is recognised over time, amounting to RM30,613,042 and RM2,805,530 (2018: RM28,669,803 and RM1,639,523) respectively. Payments for these services are generally due upon rendering of services and acceptance by customers respectively.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June are as follows:

| | Group |
|---|---|
| | 2019<br>RM |
| Within one year | 279,196,454 |
| More than one year | 104,362,864 |
| | 383,559,318 |

The Group applies the practical expedient on the exemption to disclose the information on the remaining performance obligations that have original expected durations of one year or less.

Included in the aggregate amount of remaining performance obligations (unsatisfied or partially unsatisfied) to be recognised within one year are maintenance services contracts with auto-renewal term amounting to RM107,331,848, which is recurring in nature unless notice of termination is made available and mutually agreed before renewal.

The remaining performance obligations expected to be recognised in more than one year relate to the customisation of software solutions to be satisfied within two years and maintenance services to be satisfied within or more than three years.

## 4. Finance income

| | Group | |
|---|---|---|
| | 2019<br>RM | 2018<br>RM |
| Interest income from deposits with licensed banks | 3,172,427 | 2,850,159 |

## 5. Other income

| | Group | |
|---|---|---|
| | 2019 RM | 2018 RM |
| Bad debts recovered | 22,000 | - |
| Commission income and other incentives | 46,805 | 412,890 |
| Dividend income from financial assets - quoted equity shares | - | 199,141 |
| Fair value adjustment on contingent consideration for business combination (Note 13(b) and Note 34(ii)) | 14,839,820 | - |
| Gain on derivative asset at fair value through profit or loss | 9,366,693 | - |
| Gain on redemption of financial assets - money market fund | 336,582 | 494,290 |
| Gain on disposal of an associate (Note 14) | 1 | - |
| Net foreign currency exchange gain: | | |
| - Realised | 139,645 | - |
| - Unrealised | 1,997,298 | - |
| Net gain on disposal of property, plant and equipment | 9,039,880 | 241,951 |
| Rental income of office premises | 626,309 | 572,046 |
| Reversal of impairment loss on financial assets: | | |
| - Trade receivables (Note 41(c)) | 190,061 | 1,022,689 |
| - Loan to an associate (Note 14) | 135,210 | - |
| Reversal of value-added tax accrued for disposal of quoted equity shares | 18,249,642 | - |
| Waiver of debts by previous owner of a subsidiary | - | 988,908 |
| Miscellaneous income | 582,821 | 593,598 |
| **Total other income** | 55,572,767 | 4,525,513 |

## 6. Finance costs

| | Group | |
|---|---|---|
| | 2019 RM | 2018 RM |
| Interest expense on: | | |
| - Revolving credit | 1,306,022 | 1,251,356 |
| - Obligations under finance leases | 147,683 | 73,617 |
| - Bank overdraft | 507,682 | 11,249 |
| - Term loan | 20,262 | - |
| | 1,981,649 | 1,336,222 |
| Unwinding of discount on other non-current payables - contingent consideration and put liability for business combination | 25,547,058 | - |
| | 27,528,707 | 1,336,222 |
| Less: Capitalised under intangible assets (Note 12) | (507,682) | - |
| **Total finance costs** | 27,021,025 | 1,336,222 |

## 7. Profit before tax

The following items have been included in arriving at profit before tax:

| | Group | |
|---|---|---|
| | 2019 RM | 2018 RM |
| Amortisation of intangible assets (Note 12) | 19,311,942 | 16,931,705 |
| Write off of intangible assets | 936,779 | - |
| Impairment of intangible assets (Note 12) | 15,539,747 | - |
| Depreciation of property, plant and equipment (Note 11) | 4,662,175 | 4,361,404 |
| Write off of property, plant and equipment | 65,049 | 6,790 |
| Impairment of property, plant and equipment (Note 11) | 850,166 | - |
| Reversal of impairment loss on advances to a joint venture (Note 15) | - | (5,600,000) |
| Inventories written off | 10,399 | - |
| Bad debts written off | 18,043 | 1,921,865 |
| Impairment loss on financial assets - trade receivables (Note 41(c)) | - | 1,986,010 |
| Expected credit losses on trade receivables (Note 41(c)) | 4,123,959 | - |
| Expected credit losses on contract assets (Note 41(c)) | 31,676 | - |
| Reversal of provision for foreseeable losses | (181,303) | (1,200,157) |
| Net foreign currency exchange loss: | | |
| - Realised | - | 1,121,147 |
| - Unrealised | - | 7,829,514 |
| Directors' fees | 3,770,425 | 2,919,568 |
| Employee benefits expense (Note 8) | 248,852,801 | 208,862,424 |
| Loss on disposal of financial assets - quoted equity shares | - | 6,316,460 |
| Audit fees: | | |
| - Auditors of the Company | 1,559,685 | 1,707,627 |
| - Other auditors | 766,334 | 547,577 |
| Non-audit fees: | | |
| - Auditors of the Company | 329,756 | 602,391 |
| - Other auditors | 173,634 | 167,058 |
| Operating lease expenses (Note 40(b)) | 11,110,100 | 9,315,883 |

Total software project costs (including employee benefits expense) amounted to RM64,034,537 (2018: RM48,740,759).

## 8. Employee benefits expense (including directors' remuneration)

| | Group | |
|---|---|---|
| | 2019 RM | 2018 RM |
| Wages and salaries | 241,921,084 | 201,833,771 |
| Defined contribution plans | 20,774,125 | 17,234,206 |
| Defined benefit obligation (Note 37) | 1,634,215 | 886,686 |
| Performance shares issued (Note 28(d)) | 820,064 | 1,271,254 |
| Shares issued to a former non-executive director (Note 28(c)) | 214,426 | - |
| Allowance for unutilised leave | 1,744,607 | 1,726,127 |
| Other employee benefits | 6,567,897 | 5,238,005 |
| | 273,676,418 | 228,190,049 |
| Less: Capitalised under intangible assets (Note 12) | (24,669,462) | (17,924,325) |
| Less: Capitalised under contract work-in-progress (Note 20 and Note 18) | (154,155) | (1,403,300) |
| | 248,852,801 | 208,862,424 |

## 9. Income tax expense

| | Group | |
|---|---|---|
| | 2019 RM | 2018 RM |
| Current income tax: | | |
| - Malaysia | 21,731,050 | 6,312,869 |
| - Singapore | 5,141,736 | 4,324,385 |
| - Thailand | 2,091,821 | 413,643 |
| - Brunei | 730,679 | 773,758 |
| - Indonesia | 2,556,234 | 1,532,105 |
| - Philippines | 1,363,798 | 989,206 |
| - Slovakia | 584,981 | 654,293 |
| - Others | 209,089 | 157,654 |
| | 34,409,388 | 15,157,913 |
| Deferred tax (Note 33) | | |
| - Origination and reversal of temporary differences | (5,564,906) | (13,401,323) |
| (Over)/Under provision in prior financial years: | | |
| - Income tax | (195,675) | 489,049 |
| - Deferred tax (Note 33) | (519,089) | (425,868) |
| | (714,764) | 63,181 |
| Income tax expense for the year | 28,129,718 | 1,819,771 |
| Foreign and withholding tax | 10,644,840 | 11,289,913 |
| Real property gains tax | 384,926 | - |
| | 39,159,484 | 13,109,684 |

The corporate income tax rates applicable to companies within the Group are as follows:

| | 2019 | 2018 |
|---|---|---|
| Malaysia | 24% | 24% |
| Singapore | 17% | 17% |
| Thailand | 20% | 20% |
| Brunei | 19% | 19% |
| Indonesia | 25% | 25% |
| Japan | 31% | 31% |
| Philippines | 30% | 30% |
| Hong Kong | | |
| - Tier 1 first HKD 2 million | 8% | 8% |
| - Tier 2 next HKD 2 million | 17% | 17% |
| New Zealand | 28% | 28% |
| Czech Republic | 19% | 19% |
| United Kingdom | 19% | 19% |
| Slovakia | 21% | 21% |
| Vietnam | 20% | 20% |
| Pakistan | 29% | - |
| Latvia | 20% | - |
| Kenya | 30% | - |

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

## 9. Income tax expense (cont'd)

The reconciliation between income tax expense and the product of accounting profit multiplied by the applicable corporate tax rates for the financial years ended 30 June 2019 and 2018 are as follows:

| | Group | |
|---|---|---|
| | 2019 RM | 2018 RM |
| Profit before tax | 284,725,696 | 147,189,928 |
| Tax calculated at a tax rate of: | | |
| - Malaysia 24% (2018: 24%) | 54,521,994 | 30,124,585 |
| - Singapore 17% (2018: 17%) | 236,340 | 1,522,661 |
| - Thailand 20% (2018: 20%) | 1,987,666 | 1,036,055 |
| - Brunei 19% (2018: 19%) | 767,432 | 838,792 |
| - Indonesia 25% (2018: 25%) | 2,485,570 | 1,316,457 |
| - Japan 31% (2018: 31%) | (1,453,936) | 256,583 |
| - Philippines 30% (2018: 30%) | 1,619,238 | 910,411 |
| - Hong Kong 17% (2018: 8%) | 2,149,547 | (151,166) |
| - New Zealand 28% (2018: 28%) | (480,687) | (4,445,285) |
| - Czech Republic 19% (2018: 19%) | (127,495) | (97,920) |
| - United Kingdom 19% (2018: 19%) | 13,945 | 1,086 |
| - Slovakia 21% (2018: 21%) | (923,741) | (200,652) |
| - Vietnam 20% (2018: 20%) | (128,091) | (173,567) |
| - Pakistan 29% (2018: Nil) | 130,509 | - |
| - Latvia 20% (2018: Nil) | 1,688,263 | - |
| - Kenya 30% (2018: Nil) | (471,499) | - |
| Tax effect of: | | |
| - Share of loss of a joint venture | 480,687 | 4,445,285 |
| - Partial exemption and tax relief | (637,623) | (784,634) |
| - Exempted income under pioneer status[1] | (31,617,679) | (24,452,051) |
| - Exempted income under promotional privileges[2] | - | (830,444) |
| - Exempted income under increase in value of export incentive[3] | (401,391) | - |
| - Expenses not deductible for tax purposes: | | |
| Net foreign currency exchange loss | 770,894 | 2,307,083 |
| Loss on disposal of financial assets - quoted equity shares | - | 505,317 |
| Impairment loss on goodwill | 2,389,520 | - |
| Unwinding of discount on other non-current payables - contingent consideration and put liability for business combination | 4,343,000 | - |
| Others | 10,061,526 | 7,344,075 |
| - Income not subject to tax: | | |
| Fair value adjustment on contingent consideration for business combination | (2,522,769) | - |
| Gain on derivative asset at fair value through profit or loss | (1,592,338) | - |
| Gain on disposal of freehold land | (2,123,096) | - |
| Reversal of value-added tax accrued for disposal of quoted equity shares | (3,011,191) | - |
| Gain on re-measurement of interest retained in investment to fair value | - | (3,068,330) |
| Others | (3,853,716) | (1,710,699) |
| - Tax rebates | (14,084) | (38,102) |
| - Enhanced capital allowances | (28,155) | (10,449) |
| - Effect of change in tax rate related to deferred tax | (53,020) | (4,808) |
| Deferred tax assets unrecognised | 1,240,475 | 864,378 |
| Recognition of deferred tax assets previously not recognised | (1,476,886) | (10,027,785) |
| Deferred tax on undistributed profits of a subsidiary (Note 33) | 276,228 | 10,152 |
| Effect of temporary difference originating and reversing during the pioneer period | (948,345) | 800,558 |
| Utilisation of tax losses previously not recognised | (3,672,124) | (3,795,112) |
| Utilisation of bilateral tax credit | (780,486) | (735,884) |

## 9. Income tax expense (cont'd)

The reconciliation between income tax expense and the product of accounting profit multiplied by the applicable corporate tax rates for the financial years ended 30 June 2019 and 2018 are as follows: (cont'd)

| | Group | |
|---|---|---|
| | 2019 RM | 2018 RM |
| Tax effect of: (cont'd) | | |
| (Over)/Under provision of income tax in prior financial years | (195,675) | 489,049 |
| Over provision of deferred tax in prior financial years | (519,089) | (425,868) |
| Income tax expense for the year | 28,129,718 | 1,819,771 |
| Foreign and withholding tax | 10,644,840 | 11,289,913 |
| Real property gains tax | 384,926 | - |
| | 39,159,484 | 13,109,684 |

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction and eliminating intra-group transactions.

Two Bermuda subsidiaries of the Group, Silverlake Adaptive Applications & Continuous Improvement Services Ltd. ("SAACIS") and Silverlake Solutions Ltd. ("SSL"), have obtained exemption from the Ministry of Finance, Bermuda, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, thus no taxes shall be applicable on all income derived by SAACIS and SSL.

1. Five Malaysian subsidiaries of the Group, Silverlake Axis MSC Sdn. Bhd. ("SAMSC"), Merimen Online Sdn. Bhd. ("MOSB"), Silverlake Structured Services Sdn. Bhd. ("SSSVC"), Silverlake Digital Economy Sdn. Bhd. ("SDE") and Silverlake One Paradigm Sdn. Bhd. ("SOP"), are Multimedia Super Corridor Status Companies and enjoy the incentives, rights and privileges provided for under the Bill of Guarantees.

   The pioneer period of these subsidiaries are as follows:

| Subsidiaries | Commencement date | Expiry date | Extended expiry date |
|---|---|---|---|
| SAMSC | 1 November 2007 | 31 October 2012 | 31 October 2017 |
| MOSB | 31 July 2008 | 30 July 2013 | 30 July 2018 |
| SSSVC | 13 August 2009 | 12 August 2014 | 12 August 2019 |
| SDE | 23 May 2012 | 22 May 2017 | 22 May 2022 |
| SOP | 23 March 2016 | 22 March 2021 | - |

2. A Thailand subsidiary of the Group, Silverlake Structured Services Ltd., was granted promotional privileges approved by the Board of Investment under Thai Investment Promotion Act B.E. 2520, for Enterprise software and Digital content, under Certificate No. 2010(7)/2552 dated 23 December 2009 for a period of 8 years. These promotional privileges had expired in the previous financial year on 3 March 2018.

3. A Malaysian subsidiary of the Group, QR Retail Automation (Asia) Sdn. Bhd., qualifies for exemption on income for value of increased export of services under Income Tax Act, 1967 (Exemption) (No.2) 2001 - P.U. (A) 154 and No.9 (2002, P.U. (A) 57 and (Amendment) 2006 - P.U. (A) 275, for services rendered to foreign customers.

## 10. Earnings per share

**Basic and diluted earnings per share**

Basic earnings per share is calculated by dividing the Group's net profit attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is calculated by dividing the Group's net profit attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

| | Group | |
|---|---|---|
| | 2019 | 2018 |
| Profit net of tax attributable to owners of the parent (RM) | 245,577,192 | 134,090,521 |
| Weighted average number of ordinary shares for basic earnings per share computation * | 2,648,408,108 | 2,635,387,566 |
| Basic earnings per share (RM sen) | 9.27 | 5.09 |
| Weighted average number of ordinary shares for diluted earnings per share computation | 2,648,408,108 | 2,637,787,566 |
| Diluted earnings per share (RM sen) | 9.27 | 5.08** |

* The weighted average number of shares has taken into account the weighted average effect of changes in ordinary shares and treasury shares transactions during the financial year.

** The weighted average number of shares for the financial year ended 30 June 2018 had taken into account the weighted average effect of dilution shares under Silverlake Axis Ltd. Performance Share Plan of 2,400,000 shares.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

## 11. Property, plant and equipment

| Group | Freehold land RM | Furniture and fittings RM | Motor vehicles RM | Office equipment RM | Total RM |
|---|---|---|---|---|---|
| **At 30 June 2019** | | | | | |
| **Cost** | | | | | |
| At 1 July 2018 | 7,153,765 | 9,948,077 | 4,583,591 | 12,351,724 | 34,037,157 |
| Acquisition of subsidiaries (Note 13(a)) | - | 847,713 | 71,407 | 484,754 | 1,403,874 |
| Additions | - | 2,496,261 | 1,023,963 | 2,160,414 | 5,680,638 |
| Disposals | (7,153,765) | (5,097,904) | (633,281) | (2,338,196) | (15,223,146) |
| Written off | - | (140,199) | - | (34,265) | (174,464) |
| Transfer (Note a) | - | - | - | (7,322) | (7,322) |
| Currency translation differences | - | 270,585 | 38,087 | 226,366 | 535,038 |
| At 30 June 2019 | - | 8,324,533 | 5,083,767 | 12,843,475 | 26,251,775 |
| **Accumulated depreciation** | | | | | |
| At 1 July 2018 | - | 3,492,426 | 1,585,112 | 8,544,174 | 13,621,712 |
| Charge for the year (Note 7) | - | 1,650,576 | 741,293 | 2,270,306 | 4,662,175 |
| Disposals | - | (5,074,126) | (625,365) | (2,329,308) | (8,028,799) |
| Written off | - | (76,349) | - | (33,066) | (109,415) |
| Transfer (Note a) | - | - | - | (3,342) | (3,342) |
| Currency translation differences | - | 182,969 | 17,629 | 141,914 | 342,512 |
| At 30 June 2019 | - | 175,496 | 1,718,669 | 8,590,678 | 10,484,843 |
| **Accumulated impairment loss** | | | | | |
| At 1 July 2018 | - | - | - | - | - |
| Charge for the year (Note 7) | - | 589,243 | - | 260,923 | 850,166 |
| Currency translation differences | - | 23,251 | - | 10,296 | 33,547 |
| At 30 June 2019 | - | 612,494 | - | 271,219 | 883,713 |
| **Net carrying amount** | - | 7,536,543 | 3,365,098 | 3,981,578 | 14,883,219 |

## 11. Property, plant and equipment (cont'd)

| Group | Freehold land RM | Furniture and fittings RM | Motor vehicles RM | Office equipment RM | Total RM |
|---|---|---|---|---|---|
| **At 30 June 2018** | | | | | |
| **Cost** | | | | | |
| At 1 July 2017 | 7,153,765 | 8,227,127 | 4,256,833 | 11,405,109 | 31,042,834 |
| Additions | - | 2,221,072 | 2,117,753 | 1,531,107 | 5,869,932 |
| Disposals | - | (63,645) | (1,711,179) | (8,559) | (1,783,383) |
| Written off | - | (76,943) | - | (108,318) | (185,261) |
| Transfer (Note a) | - | - | - | (1,899) | (1,899) |
| Currency translation differences | - | (359,534) | (79,816) | (465,716) | (905,066) |
| At 30 June 2018 | 7,153,765 | 9,948,077 | 4,583,591 | 12,351,724 | 34,037,157 |
| **Accumulated depreciation** | | | | | |
| At 1 July 2017 | - | 2,321,192 | 2,753,965 | 6,590,392 | 11,665,549 |
| Charge for the year (Note 7) | - | 1,462,908 | 570,416 | 2,328,080 | 4,361,404 |
| Disposals | - | (63,645) | (1,694,825) | (6,287) | (1,764,757) |
| Written off | - | (73,427) | - | (105,044) | (178,471) |
| Transfer (Note a) | - | - | - | (380) | (380) |
| Currency translation differences | - | (154,602) | (44,444) | (262,587) | (461,633) |
| At 30 June 2018 | - | 3,492,426 | 1,585,112 | 8,544,174 | 13,621,712 |
| **Net carrying amount** | 7,153,765 | 6,455,651 | 2,998,479 | 3,807,550 | 20,415,445 |

| Company | Office equipment RM |
|---|---|
| **At 30 June 2019** | |
| **Cost** | |
| At 1 July 2018 | 10,222 |
| Additions | 4,447 |
| Transfer (Note a) | (7,322) |
| At 30 June 2019 | 7,347 |
| **Accumulated depreciation** | |
| At 1 July 2018 | 6,094 |
| Charge for the year | 889 |
| Transfer (Note a) | (3,342) |
| At 30 June 2019 | 3,641 |
| **Net carrying amount** | 3,706 |

## 11. Property, plant and equipment (cont'd)

| Company | Office equipment RM |
|---|---|
| **At 30 June 2018** | |
| **Cost** | |
| At 1 July 2017 | 5,800 |
| Additions | 4,422 |
| At 30 June 2018 | 10,222 |
| **Accumulated depreciation** | |
| At 1 July 2017 | 5,800 |
| Charge for the year | 294 |
| At 30 June 2018 | 6,094 |
| **Net carrying amount** | 4,128 |

**(a) Transfer of asset**

During the financial year, an office equipment with net carrying amount of RM3,980 was transferred to a former Non-Executive Director of the Company as retirement gratuity.

In previous financial year, an office equipment with net carrying amount of RM1,519 was transferred to a key management personnel of the Group as death gratuity.

The amounts are included in "other employee benefits" in Note 8.

**Assets held under finance leases**

During the financial year, the Group acquired motor vehicles and office equipment with an aggregate cost of RM602,190 (2018: RM2,699,532) by means of finance leases.

The carrying amount of property, plant and equipment of the Group held under finance leases as at the reporting date were RM3,398,916 (2018: RM4,115,380).

Leased assets are pledged as security for the related finance lease liabilities.

**Assets pledged as security for borrowings**

In addition to assets held under finance leases, property, plant and equipment of a subsidiary with aggregate carrying amount of RM1,242,090 (2018: Nil) are pledged to secure term loan facility of a subsidiary (Note 31).

**Impairment testing**

During the financial year, an impairment loss of RM850,166 (2018: Nil) was recognised which represented the write-down of certain property, plant and equipment of a subsidiary to its recoverable amount based on value in use at a discount rate of 9% determined at the level of each cash-generating unit.

## 12. Intangible assets

| Group | Software development expenditure RM | Purchased software RM | Proprietary software RM | Customer relationship RM | Customer contracts RM | Goodwill RM | Total RM |
|---|---|---|---|---|---|---|---|
| **At 30 June 2019** | | | | | | | |
| **Cost** | | | | | | | |
| At 1 July 2018 | 122,128,213 | 43,735,112 | 63,362,936 | 19,135,778 | 2,016,000 | 107,931,963 | 358,310,002 |
| Acquisition of subsidiaries (Note 13(a)) | 3,106,635 | 171,296 | 33,890,918 | - | - | 41,422,234 | 78,591,083 |
| Additions | | | | | | | |
| - internal development | 29,077,716 | - | - | - | - | - | 29,077,716 |
| - purchased | - | 16,702 | - | - | - | - | 16,702 |
| Written off | (253,897) | (34,593,642) | - | - | - | - | (34,847,539) |
| Currency translation differences | 1,608,987 | 400,051 | 1,346,927 | 154,126 | - | 1,613,410 | 5,123,501 |
| At 30 June 2019 | 155,667,654 | 9,729,519 | 98,600,781 | 19,289,904 | 2,016,000 | 150,967,607 | 436,271,465 |
| **Accumulated amortisation** | | | | | | | |
| At 1 July 2018 | 66,745,617 | 35,688,142 | 36,357,113 | 8,647,490 | 2,016,000 | - | 149,454,362 |
| Charge for the year (Note 7) | 6,136,630 | 3,275,246 | 8,097,461 | 1,802,605 | - | - | 19,311,942 |
| Written off | - | (33,910,760) | - | - | - | - | (33,910,760) |
| Currency translation differences | 1,115,462 | 213,748 | 846,108 | 47,637 | - | - | 2,222,955 |
| At 30 June 2019 | 73,997,709 | 5,266,376 | 45,300,682 | 10,497,732 | 2,016,000 | - | 137,078,499 |
| **Accumulated impairment loss** | | | | | | | |
| At 1 July 2018 | 2,135,984 | - | - | - | - | - | 2,135,984 |
| Charge for the year (Note 7) | 1,378,135 | 105,612 | - | - | - | 14,056,000 | 15,539,747 |
| Currency translation differences | 8,130 | 4,167 | - | - | - | - | 12,297 |
| At 30 June 2019 | 3,522,249 | 109,779 | - | - | - | 14,056,000 | 17,688,028 |
| **Net carrying amount** | 78,147,696 | 4,353,364 | 53,300,099 | 8,792,172 | - | 136,911,607 | 281,504,938 |

## 12. Intangible assets (cont'd)

| Group | Software development expenditure RM | Purchased software RM | Proprietary software RM | Customer relationship RM | Customer contracts RM | Goodwill RM | Total RM |
|---|---|---|---|---|---|---|---|
| **At 30 June 2018** | | | | | | | |
| **Cost** | | | | | | | |
| At 1 July 2017 | 104,674,269 | 46,308,554 | 65,432,117 | 19,505,112 | 2,016,000 | 110,578,589 | 348,514,641 |
| Additions | | | | | | | |
| - internal development | 20,966,510 | - | - | - | - | - | 20,966,510 |
| - purchased | - | 5,307 | - | - | - | - | 5,307 |
| Currency translation differences | (3,512,566) | (2,578,749) | (2,069,181) | (369,334) | - | (2,646,626) | (11,176,456) |
| At 30 June 2018 | 122,128,213 | 43,735,112 | 63,362,936 | 19,135,778 | 2,016,000 | 107,931,963 | 358,310,002 |
| **Accumulated amortisation** | | | | | | | |
| At 1 July 2017 | 64,092,443 | 34,275,603 | 31,055,440 | 6,833,845 | 2,016,000 | - | 138,273,331 |
| Charge for the year (Note 7) | 5,182,326 | 3,351,073 | 6,498,887 | 1,899,419 | - | - | 16,931,705 |
| Currency translation differences | (2,529,152) | (1,938,534) | (1,197,214) | (85,774) | - | - | (5,750,674) |
| At 30 June 2018 | 66,745,617 | 35,688,142 | 36,357,113 | 8,647,490 | 2,016,000 | - | 149,454,362 |
| **Accumulated impairment loss** | | | | | | | |
| At 1 July 2017/30 June 2018 | 2,135,984 | - | - | - | - | - | 2,135,984 |
| **Net carrying amount** | 53,246,612 | 8,046,970 | 27,005,823 | 10,488,288 | - | 107,931,963 | 206,719,656 |

**Acquisition of subsidiaries**

At the reporting date, the initial accounting for the business combination, acquisition of SIA X Infotech Group ("XIT") Group (Note 13(a)), has not been completed as the purchase price allocation exercise is still on-going. The intangible assets and goodwill arising from the business combination recognised for the financial year ended 30 June 2019 are provisional amounts and the measurement of acquisition accounting shall be completed within one year from the acquisition date of 25 January 2019.

**Software development expenditure**

Included in software development expenditure capitalised during the financial year is borrowing costs and employee benefits expense amounted to RM507,682 and RM24,669,462 (2018: Nil and RM17,924,325) (Note 6 and Note 8) respectively.

**Purchased software**

Purchased software represents mainly software acquired from third parties for enhancing front-end customer interaction software components and expansion of the capabilities of the Group's existing software solutions.

**Proprietary software**

Proprietary software represents software acquired through the acquisition of XIT Group (Note 13(a)) during the financial year; and Silverlake Symmetri (Singapore) Pte. Ltd. ("Symmetri") Group, Cyber Village Sdn. Bhd. ("CVSB"), Merimen Ventures Sdn. Bhd. ("Merimen") Group and Symmetric Payments & Integration Holdings Pte. Ltd. ("SPI") Group in prior years.

## 12. Intangible assets (cont'd)

**Customer relationship**

Customer relationship acquired through:

(i) the acquisition of Symmetri Group in financial year 2016 represents the relationships exist between Symmetri Group and its major recurring customers in Malaysia and Singapore as at the acquisition date;

(ii) the acquisition of CVSB in financial year 2014 represents the relationships exist between CVSB and its major recurring banking customers in Malaysia as at the acquisition date; and

(iii) the acquisition of Merimen Group in financial year 2013 represents the relationships exist between Merimen Group and its major recurring customers in Malaysia, Singapore and Indonesia as at the acquisition date.

**Customer contracts**

Customer contracts acquired through the acquisition of CVSB in financial year 2014 represents software licensing and software project services contracts entered by CVSB with its major banking customers.

**Goodwill**

Goodwill represents the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed arising from the acquisition of XIT Group, Symmetri Group, CVSB, Merimen Group and SPI Group.

Goodwill acquired through business combinations has been allocated to four cash-generating units ("CGUs"), as follows:

| | 2019 RM | 2018 RM |
|---|---|---|
| Payments and integration solution | 17,625,266 | 30,635,919 |
| Insurance processing solution | 37,894,012 | 37,894,012 |
| Mobile and internet solution | 23,032,343 | 23,032,343 |
| Silverlake Symmetri retail banking solution | 16,809,865 | 16,369,689 |
| Digital identity and security software solution | 41,550,121 | - |
| | 136,911,607 | 107,931,963 |

**Purchased software held under finance leases**

The carrying amount of purchased software of the Group held under finance leases as at the previous reporting date was RM115,834.

Purchased software are pledged as security for the related finance lease liabilities (Note 31).

**Amortisation expense**

The amortisation of intangible assets (other than goodwill) of RM19,311,942 (2018: RM16,931,705) (Note 7) is included in the cost of sales line item in the consolidated income statement.

**Impairment testing**

The carrying value of intangible assets (other than goodwill) is expected to be recovered from the probable future economic benefits that are expected to be generated from the commercial exploitation of these intangible assets. The remaining amortisation period at financial year end is less than 9 years (2018: less than 9 years).

During the financial year, the Group performed a review of the commercial prospects and marketability on certain software development expenditure and purchased software of subsidiaries. An impairment loss of RM1,483,747 (2018: Nil) was recognised as the Group assessed that no foreseeable future economic benefits are expected to flow to the Group from the sale or use of these intangible assets.

## 12. Intangible assets (cont'd)

**Impairment testing for goodwill**

The recoverable amounts of the CGUs have been determined based on value in use calculations using projected cash flows from financial budgets approved by management covering a five-year period. The discount rates applied to the cash flow projections and the forecast growth rates used to extrapolate the cash flows beyond the five-year period are as follows:

| | Payments and integration solution | | Insurance processing solution | | Mobile and internet solution | | Silverlake Symmetri retail banking solution | | Digital identity and security software solution | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Discount rate | 11% | 12% | 16% | 15% | 12% | 13% | 12% | 13% | 12% | n/a |
| Growth rate | 2% | 5% | 5% | 5% | 5% | 5% | 2% | 2% | 5% | n/a |

*Discount rate* - Discount rate represents the current market assessment of the risks specific to each CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital ("WACC"). The WACC takes into account both cost of debt and cost of equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

*Growth rate* - Rate is based on management expectation of the long-term average growth rate of the industry.

The Group tests goodwill, propriety software, customer relationship and customer contracts for impairment by assessing the value in use of the underlying CGU. During the financial year, an impairment loss of RM14,056,000 (2018: Nil) has been recognised on goodwill for Payments and Integration Solution CGU.

## 13. Investments in subsidiaries

| | Company | |
|---|---|---|
| | 2019 RM | 2018 RM |
| **Shares at cost, unquoted** | | |
| At beginning of the year | 2,287,816,773 | 1,899,157,593 |
| Acquisition of subsidiaries by way of: | | |
| - cash (Note a(i)) | 59,213,472 | - |
| - issuance of shares (Note b(i)) | - | 154,915,719 |
| - deferred payment arrangement (Note a(i) and Note b(ii)) | 4,628,529 | 233,743,461 |
| Incorporation of a subsidiary | 5,347 | - |
| At end of the year | 2,351,664,121 | 2,287,816,773 |
| **Accumulated impairment loss** | | |
| At beginning of the year | 69,482,000 | 35,284,000 |
| Impairment loss for the year | 35,982,968 | 34,198,000 |
| At end of the year | 105,464,968 | 69,482,000 |
| **Net carrying amount** | 2,246,199,153 | 2,218,334,773 |

## 13. Investments in subsidiaries (cont'd)

The Group does not have material partly-owned subsidiaries. Details of the subsidiaries are as follows:

| Name of subsidiaries | Principal activities | Country of incorporation | Proportion of ownership interest held 2019 % | Proportion of ownership interest held 2018 % |
|---|---|---|---|---|
| *Held by the Company:* | | | | |
| Silverlake Axis Sdn. Bhd. * | Rendering of software project, maintenance and enhancement services and provision of management services to related companies | Malaysia | 100 | 100 |
| Silverlake Adaptive Applications & Continuous Improvement Services Ltd. ("SAACIS") * | Software licensing and the rendering of enhancement services | Bermuda | 100 | 100 |
| Silverlake Japan Ltd. ^ | Provision of credit and debit cards payment processing services | Japan | 100 | 100 |
| QR Technology Sdn. Bhd. ("QRT") * | Investment holding | Malaysia | 100 | 100 |
| Silverlake Solutions Ltd. ("SSL") * | Investment holding | Bermuda | 100 | 100 |
| Silver Team Technology Limited ("STTL") ^^^^^ | Investment holding | Hong Kong | 100 | 100 |
| Symmetric Payments & Integration Holdings Pte. Ltd. ("SPI") ** | Investment holding, sales of computer software and support services | Singapore | 100 | 100 |
| Merimen Ventures Sdn. Bhd. ("Merimen") # | Investment holding and provision of electronic insurance claim solution services | Malaysia | 100 | 100 |
| Cyber Village Sdn. Bhd. ("CVSB") * | Provision of internet and mobile services, portal, customer loyalty and e-commerce solutions and services | Malaysia | 100 | 100 |
| Silverlake Symmetri (Singapore) Pte. Ltd. ("Symmetri") * | Provision of customised software solutions for banking and financial services industry | Singapore | 100 | 100 |
| Silverlake Investment Ltd. ("SIL") (Note b) * | Investment holding | Bermuda | 100 | 100 |
| SIA X Infotech Group ("XIT") (Note a) ^^^^^^ | Investment holding | Latvia | 80 | - |
| Silvirture Limited[$] | Investment holding | Hong Kong | 100 | - |

## 13. Investments in subsidiaries (cont'd)

| Name of subsidiaries | Principal activities | Country of incorporation | Proportion of ownership interest held 2019 % | 2018 % |
|---|---|---|---|---|
| *Held by SAACIS:* | | | | |
| Silverlake Holdings Sdn. Bhd. * | Trading of IBM products in Malaysia and the rendering of enhancement services | Malaysia | 100 | 100 |
| Silverlake Axis MSC Sdn. Bhd. * | Rendering of software project services and provision of enhancement services | Malaysia | 100 | 100 |
| *Held by QRT:* | | | | |
| QR Retail Automation (Asia) Sdn. Bhd. * | Software trading, development and maintenance services | Malaysia | 100 | 100 |
| QR Retail Automation (S) Pte. Ltd. ^^ | Software trading, development and maintenance services | Singapore | 100 | 100 |
| QR Agoracloud Sdn. Bhd. *$$ | Provision of cloud-based Software-as-a-Service solution for retailers of all sizes | Malaysia | 100 | - |
| QR Retail Automation Vietnam Company Limited ***** | Provision of application management services and software maintenance support services | Vietnam | 100 | - |
| *Held by SSL:* | | | | |
| Silverlake Structured Services Sdn. Bhd. * | Services and maintenance of Silverlake customised software | Malaysia | 100 | 100 |
| Silverlakegroup Pte. Ltd. ** | Services and maintenance of Silverlake customised software | Singapore | 100 | 100 |
| Silverlakegroup Pte. Ltd. (Philippines branch) **** | Services and maintenance of Silverlake customised software | Philippines | 100 | 100 |
| Silverlake Structured Services Ltd. *** | Services and maintenance of Silverlake customised software | Thailand | 100 | 100 |
| PT Structured Services ^^^ | Services and maintenance of Silverlake customised software | Indonesia | 100 | 100 |
| Silverlake Sistem Sdn. Bhd. ^^^^ | Services and maintenance of Silverlake customised software | Brunei | 100 | 100 |
| *Held by SPI:* | | | | |
| Symmetric Payments & Integration Pte. Ltd. ** | Sales of computer software and provision of technical support services | Singapore | 100 | 100 |
| Symmetric Payments & Integration Sdn. Bhd. * | Sales of computer software and provision of technical support services | Malaysia | 100 | 100 |

## 13. Investments in subsidiaries (cont'd)

| Name of subsidiaries | Principal activities | Country of incorporation | Proportion of ownership interest held 2019 % | Proportion of ownership interest held 2018 % |
|---|---|---|---|---|
| *Held by Merimen:* | | | | |
| Merimen Online Sdn. Bhd. # | Provision of electronic insurance claim solution services | Malaysia | 100 | 100 |
| Merimen Technologies (Singapore) Pte. Ltd. ## | Provision of electronic insurance claim solution services | Singapore | 100 | 100 |
| P.T. Merimen Technologies Indonesia ^^^ | Provision of electronic insurance claim solution services | Indonesia | 100 | 100 |
| Merimen Technologies Philippines Inc. ### | Provision of electronic insurance claim solution services | Philippines | 100 | 100 |
| Motobiznes Online Sdn. Bhd. # | Provision of electronic insurance claim solution services | Malaysia | 51 | 51 |
| Merimen Technologies (Vietnam) Company Limited #### | Provision of electronic insurance claim solution services | Vietnam | 100 | 100 |
| Merimen Technologies (Thailand) Co. Ltd ##### | Provision of electronic insurance claim solution services | Thailand | 100 | 100 |
| Merimen Technologies Hong Kong Limited ###### | Provision of electronic insurance claim solution services | Hong Kong | 100 | 100 |
| Merimen Technologies (Malaysia) Sdn. Bhd. # | Develop and commercialise a data science and machine learning product for insurance industry | Malaysia | 100 | 100 |
| Merimen Automative Group Sdn. Bhd. # | Investment holding for the commercialisation of Software-as-a-Service solutions for automotive industry | Malaysia | 100 | 100 |
| *Held by CVSB:* | | | | |
| Affinities Village Sdn. Bhd. # | Provision of innovative insurance and financial services ecosystem solutions including the offers of Software-as-a-Service and licensing of fintech and insurtech platforms | Malaysia | 100 | 100 |
| *Held by Symmetri:* | | | | |
| Silverlake Symmetri (Malaysia) Sdn. Bhd. ∂ | Provision of card and payment software solution services | Malaysia | 100 | 100 |

## 13. Investments in subsidiaries (cont'd)

| Name of subsidiaries | Principal activities | Country of incorporation | Proportion of ownership interest held 2019 % | 2018 % |
|---|---|---|---|---|
| *Held by Symmetri: (cont'd)* | | | | |
| Silverlake Symmetri (Philippines) Enterprises, Inc. ∂∂ | Provision of services related to designing, selling and installing computer hardware and software | Philippines | 100 | 100 |
| Silverlake Symmetri (Thailand) Limited ∂∂∂ | Dormant | Thailand | 100 | 100 |
| Silverlake Symmetri Pakistan (PVT.) Limited ∂∂∂∂ | Provision of services related to designing, developing, engineering, promoting, exporting, marketing and selling computer related technologies, products and services | Pakistan | 100 | 100 |
| Silverlake Symmetri (Czech Republic) s.r.o. | Dormant | Czech Republic | 100 | 100 |
| Silverlake Symmetri (Europe) Limited ∂∂∂∂∂ | Dormant | United Kingdom | - | 100 |
| Silverlake Symmetri (Slovakia) spol. s.r.o. ∂∂∂∂∂∂ | Trading of software and completed programs on contractual basis and business counselling in the extent of free trade | Slovakia | 100 | 100 |
| Representative Office of Silverlake Symmetri (Singapore) Pte. Ltd. in Hanoi | Provision of customised software solutions for banking and financial services industry | Vietnam | 100 | 100 |
| Silverlake Symmetri (Singapore) Pte. Ltd. (Dubai Branch) | Provision of customised software solutions for banking and financial services industry | United Arab Emirates | 100 | 100 |
| *Held by SIL:* | | | | |
| Silverlake Digital Economy Sdn. Bhd. * | Marketing of computer equipment and software, licensing of software, and provision of modification, implementation and maintenance services | Malaysia | 100 | 100 |
| Silverlake Digitale Sdn. Bhd. * | Marketing of computer equipment and software, licensing of software, and provision of modification, implementation and maintenance services | Malaysia | 100 | 100 |
| Silverlake One Paradigm Sdn. Bhd. * | Marketing of computer equipment and software, licensing of software, and provision of modification, implementation and maintenance services | Malaysia | 100 | 100 |

## 13. Investments in subsidiaries (cont'd)

| Name of subsidiaries | Principal activities | Country of incorporation | Proportion of ownership interest held 2019 % | 2018 % |
|---|---|---|---|---|
| *Held by XIT:* | | | | |
| SIA X Infotech ^^^^^^ | Provision of software product development and solution implementation in area of banking and government sector | Latvia | 100 | - |
| X-Infotech Africa Limited ^^^^^^^ | Sale of payments and card systems to government and banking sector, software support and allied services | Kenya | 100 | - |

* Audited by Ernst & Young, Malaysia
** Audited by Ernst & Young, Singapore
*** Audited by Ernst & Young, Thailand
**** Audited by SyCip Gorres Velayo & Co. (Ernst & Young, Philippines)
***** Audited by RSM Vietnam Auditing & Consulting Company Limited. Incorporated on 16 November 2018
^ Audited by Miyako & Co., Japan
^^ Audited by SS Lee PAC, Singapore
^^^ Audited by Kosasih, Nurdiyaman, Mulyadi, Tjahjo & Rekan (Crowe Horwath, Indonesia)
^^^^ Audited by Lee Corporatehouse Associates, Brunei
^^^^^ Audited by Union Alpha C.P.A Limited, Hong Kong
^^^^^^ Audited by SIA Deloitte Audits Latvia
^^^^^^^ Audited by Deloitte, Kenya
# Audited by Crowe Horwath, Malaysia
## Audited by Crowe Horwath, Singapore
### Audited by Ramon F. Garcia and Company CPA, Philippines
#### Audited by Crowe Horwath, Vietnam
##### Audited by ANS Audit Co., Ltd., Thailand
###### Audited by Crowe Horwath, Hong Kong
∂ Audited by Grant Thornton, Malaysia
∂∂ Audited by PricewaterhouseCoopers, Philippines
∂∂∂ Audited by PricewaterhouseCoopers, Thailand
∂∂∂∂ Audited by Feroz Aziz & Company, Pakistan
∂∂∂∂∂ Audited by Hazlems Ferton LLP. Dissolved on 4 June 2019
∂∂∂∂∂∂ Audited by Grant Thornton Audit, s.r.o.
$ Incorporated on 26 June 2019 and remained dormant in financial year 2019
$$ Incorporated on 27 July 2018

## 13. Investments in subsidiaries (cont'd)

### Acquisition of subsidiaries

**Current financial year**

(a) SIA X Infotech Group ("XIT")

On 25 January 2019, the Company acquired 80% equity interest with a call and put options on the remaining 20% equity interest in XIT, a private limited liability company incorporated in Latvia. The Company does not have a present ownership interest in the remaining 20% equity interest in XIT subject to call and put options. The Company has chosen to base its accounting policy on IAS 32 Financial instruments: Presentation as the Company intends to acquire 100% equity interest in XIT Group and has therefore recognised a financial liability on the put option for the non-controlling interest and consolidated 100% of XIT's results.

XIT with its wholly-owned subsidiaries, SIA X Infotech and X-Infotech Africa Limited (collectively, the "XIT Group"), are principally engaged in the provision of software solutions for the issuance and verification of electronic identity and security documents and financial smart cards.

The Company acquired XIT Group to expand its digital economy offerings to its customers' ecosystems, particularly in the area of public and private enterprise digital identity solutions for customer identity economics, social and financial inclusion, security, and payments. It extends beyond the Group's digital economy offerings for banking, insurance, retail, logistics and public sector enterprises by offering digital capabilities such as customer onboarding, customer information, payments, anti-money laundering, fraud prevention and cyber security applications.

At the reporting date, the initial accounting for the business combination of XIT Group has not been completed as the purchase price allocation exercise is still on-going. The intangible assets and goodwill arising from the business combination recognised in the financial year ended 30 June 2019 are provisional amounts and the measurement of acquisition accounting shall be completed within one year from the acquisition date of 25 January 2019.

The net carrying value and provisional fair value of the identifiable assets and liabilities of XIT Group as at the date of acquisition were:

| | Net carrying value RM | Provisional fair value recognised on date of acquisition RM |
|---|---|---|
| **Assets** | | |
| Property, plant and equipment (Note 11) | 1,403,874 | 1,403,874 |
| Intangible assets (Note 12) | 3,277,931 | 37,168,849 |
| Inventories | 3,041,335 | 3,041,335 |
| Trade and other receivables | 9,560,175 | 9,560,175 |
| Contract assets | 897,637 | 897,637 |
| Prepayments | 725,545 | 725,545 |
| Tax recoverable | 12,136 | 12,136 |
| Cash and bank balances | 6,608,807 | 6,608,807 |
| | 25,527,440 | 59,418,358 |

## 13. Investments in subsidiaries (cont'd)

**Acquisition of subsidiaries (cont'd)**

**Current financial year (cont'd)**

(a) SIA X Infotech Group ("XIT") (cont'd)

The net carrying value and provisional fair value of the identifiable assets and liabilities of XIT Group as at the date of acquisition were: (cont'd)

| | Net carrying value RM | Provisional fair value recognised on date of acquisition RM |
|---|---|---|
| **Liabilities** | | |
| Trade and other payables | (9,692,863) | (9,692,863) |
| Contract liabilities | (13,251,778) | (13,251,778) |
| Tax payable | (988,102) | (988,102) |
| Loans and borrowings | (1,126,554) | (1,126,554) |
| | (25,059,297) | (25,059,297) |
| **Total identifiable net assets at fair value** | | 34,359,061 |
| Provisional goodwill arising on acquisition (Note 12) | | 41,422,234 |
| **Purchase consideration transferred** | | 75,781,295 |

Consideration for acquisition of XIT Group

| | RM |
|---|---|
| Initial cash consideration paid | 59,213,472 |
| Deferred contingent consideration payable (Note 34(i)) | 4,628,529 |
| Financial liability on Put Option (Note 35) | 11,939,294 |
| Total consideration | 75,781,295 |

Effect of the acquisition of XIT Group on cash flows

| | RM |
|---|---|
| Total purchase consideration transferred, settled in cash | 59,213,472 |
| Less: Cash and cash equivalents of subsidiaries acquired | (6,608,807) |
| Net cash outflow on acquisition | 52,604,665 |

Consideration for acquisition of XIT Group

The purchase consideration comprises an Initial Consideration and an Earn-Out Consideration for the initial 80% equity interest acquisition, and call and put options on the remaining 20% equity interest in XIT Group.

## 13. Investments in subsidiaries (cont'd)

**Acquisition of subsidiaries (cont'd)**

**Current financial year (cont'd)**

(a) SIA X Infotech Group ("XIT") (cont'd)

Consideration for acquisition of XIT Group (cont'd)

(i) Initial Consideration ("IC") for the acquisition of 80% equity interest

The IC amounted EUR17,600,000 was arrived at on a willing buyer and seller basis. It comprises an Upfront Amount of EUR12,608,000 (equivalent to RM59,213,472) made on the completion date and a Deferred Amount of EUR4,992,000 payable upon achievement of key financial targets, i.e. a pre-determined growth (% Growth) over the period from 1 January 2016 to 30 June 2020 as specified below:

- from 1 January 2016 to 31 December 2016 ("FY2016")
- from 1 January 2017 to 31 December 2017 ("FY2017")
- from 1 January 2018 to 30 June 2019 ("FY2019")
- from 1 July 2019 to 30 June 2020 ("FY2020")

| Deferred Amount | Key financial target | Period payable |
|---|---|---|
| (a) EUR2,000,000 | Provided that the audited profit before tax of XIT Group for FY2019 is not less than EUR715,000 | Payable within 45 days from the date of completion of the audited consolidated financial statements ("AFS") of XIT Group for FY2019 |
| (b) EUR2,992,000 | (i) A sum of 60% of the Deferred Amount<br>• Provided that the earnings before interest and taxes ("EBIT") of XIT Group for FY2019 (annualised) shows a growth of at least 20% based on the agreed average base EBIT of XIT Group for FY2016 and FY2017 ("TGR 1") | Payable within 45 days from the date of completion of AFS of XIT Group for FY2019 |
| | (ii) A sum of 40% of the Deferred Amount<br>• Provided that the EBIT of XIT Group for FY2020 shows a year-on-year growth of at least 25% ("TGR 2") | Payable within 45 days from the date of completion of AFS of XIT Group for FY2020 |
| | (iii) Remaining or the entire Deferred Amount<br>• Where XIT Group fails to achieve either TGR 1 or TGR 2 but the average growth rate of EBIT of XIT Group for FY2019 (annualised) and FY2020 meet or in excess of 22.5%; and<br>• Growth rate of the EBIT of XIT Group for the financial year in which TGR 1 or TGR 2 is not met is at least 15% or more | Payable within 45 days from the date of completion of AFS of XIT Group for FY2020 |

Both the deferred amounts are non-dependant and shall be payable upon achievement of the financial targets. If the conditions for both the deferred amounts are not achieved or met by XIT Group, the respective Deferred Amount shall not be payable and the Upfront Amount shall be the only amount payable by the Company to the seller.

## 13. Investments in subsidiaries (cont'd)

**Acquisition of subsidiaries (cont'd)**

**Current financial year (cont'd)**

(a) SIA X Infotech Group ("XIT") (cont'd)

Consideration for acquisition of XIT Group (cont'd)

(ii) Earn-Out Consideration ("EOC")

The EOC payable is depending on whether XIT Group is able to undertake an initial public offering ("IPO") on or before 31 December 2021 ("Earn-Out Determination Date"); as follows:

(a) IPO scenario

Where XIT Group is the subject of an IPO and the following conditions are satisfied on or before the Earn-Out Determination Date, the EOC shall be a sum calculated at 12 times of XIT Group's FY2021 EBIT multiplied by 80% and deducted by the amount paid in respect of the IC (i.e. 12 x FY2021 EBIT x 0.8 - IC) ("IPO EOC"):

(1) either (a) the issue and offer price of the shares of XIT is not less than 15 times the EBIT of XIT Group for FY2021 or (b) where XIT or the seller on behalf of XIT receives or obtains an Underwriting Letter;
(2) the average growth rate of the EBIT of XIT Group for FY2019 (annualised), FY2020 and FY2021 respectively meets or is in excess of 21.5% ("Average EBIT Growth Target for FY2019-FY2021");
(3) the growth rate of the EBIT of XIT Group for FY2019 (annualised), FY2020 and FY2021 respectively shall be at least 15% ("Minimum Annual EBIT Growth Target for FY2019-FY2021");
(4) there is no change in control occurring in any of Latvian Special Purpose Vehicles and/or the seller; and
(5) the remaining 20% equity shares remain held by the seller.

(b) No IPO scenario

Where XIT Group does not or is unable to undertake an IPO and where no Underwriting Letter is obtained on or before the Earn-Out Determination Date and the following conditions ("No IPO Conditions") are satisfied, the EOC shall be a sum calculated at 12 times of XIT Group's FY2021 adjusted net profit after tax ("Adjusted NPAT") multiplied by 80% and deducted by the amount paid in respect of the IC (i.e. 12 x FY2021 Adjusted NPAT x 0.8 - IC) ("No IPO EOC"):

(1) the Average EBIT Growth Target for FY2019-FY2021 is met; and
(2) the Minimum Annual Average EBIT Growth Target for FY2019-FY2021 is met.

The EOC shall be payable within forty-five (45) days from the Earn-Out Determination Date.

(iii) Put and Call options

(a) Put Option

The Company has granted a Put Option to the seller, requiring the Company to purchase the remaining 20% equity interest in XIT Group provided that XIT Group achieves or meets the No IPO Conditions.

The Put Option shall be exercisable by the seller in writing by notice served to the Company at any time within ninety (90) days from the Earn-Out Determination Date. The purchase price of the remaining 20% equity interest shall be calculated in one of the following manner:

| Scenario | Put Option consideration |
|---|---|
| No IPO with underwriting letter | 20% of 12.0 times of FY2021 EBIT |
| No IPO and no underwriting letter | 20% of 12.0 times of FY2021 Adjusted NPAT |

The sale and purchase of the remaining 20% equity interest shall be settled within three (3) months from the notice of exercise of the Put Option.

## 13. Investments in subsidiaries (cont'd)

**Acquisition of subsidiaries (cont'd)**

**Current financial year (cont'd)**

(a) SIA X Infotech Group ("XIT") (cont'd)

Consideration for acquisition of XIT Group (cont'd)

(iii) Put and Call options (cont'd)

(b) Call Option

The seller has granted a Call Option to the Company, requiring the seller to sell the remaining 20% equity interest in XIT Group in the event that XIT Group fails to achieve or meet the No IPO Conditions and the Put Option was not exercised within the stipulated period.

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 the Earn-Out Determination Date. The purchase price of the remaining 20% equity interest shall be a sum calculated at 12 times of XIT Group's FY2021 adjusted NPAT multiplied by 20%.

The sale and purchase of the remaining 20% equity interest shall be settled within three (3) months from the notice of exercise of the Call Option.

As at the acquisition date, the fair values of the deferred consideration, Earn-Out Consideration and options were estimated as follows:

| | | Group | Company |
|---|---|---|---|
| | Valuation method | RM | RM |
| Initial deferred consideration | Probability-weighted average of payouts ("PWAP") | 4,628,529 | 4,628,529 |
| Earn-Out Consideration | | - | - |
| Financial liability on Put Option | | 11,939,294 | - |
| Derivative liability on Put Option | Black Scholes model | - | 1,070,705 |
| Derivative asset on Call option | | 9,366,693 | 9,366,693 |

The above fair values were calculated at a discount rate of 12.36%.

Subsequent measurement of deferred consideration, Earn-Out Consideration and options
As at 30 June 2019, the fair values of deferred consideration, Earn-Out Consideration and options approximate their fair values as at acquisition date as there have been no significant change in the circumstances that may have an impact to the calculated fair values.

Fair value of assets acquired and liabilities assumed
The fair value of the trade and other receivables of RM9,560,175 included trade receivables with a fair value of RM7,990,320. The gross contractual amount of these trade receivables was RM11,708,342, of which RM3,718,022 (Note 41(c)) were impaired as they were not expected to be collected.

The provisional fair value of acquired identifiable intangibles assets of RM37,168,849, consist of proprietary software, which was valued by using Relief from Royalty method.

Provisional goodwill of RM41,422,234 comprises the value of expected synergies arising from the acquisition which are not separately recognised. Goodwill is allocated entirely to the XIT Group digital identity and security software solution CGU. None of the goodwill recognised was expected to be deductible for income tax purposes.

Impact of acquisition on consolidated income statement
From the date of acquisition, XIT Group has contributed RM29,191,428 and RM6,288,926 to the Group's revenue and profit net of tax respectively for the financial year ended 30 June 2019. If the business combination had taken place at the beginning of the financial year ended 30 June 2019, the Group's revenue and profit net of tax would have been RM694,855,121 and RM243,948,835.

Acquisition-related costs of RM743,497 have been recognised in the "Administrative expenses" line item in the consolidated income statement for the financial year ended 30 June 2019.

## 13. Investments in subsidiaries (cont'd)

**Acquisition of subsidiaries (cont'd)**

**Previous financial year**

(b) Silverlake Investment Ltd. ("SIL")

On 18 April 2018, the Company acquired 100% equity interest in SIL, a private company incorporated in Bermuda. SIL with its wholly-owned subsidiaries, Silverlake Digital Economy Sdn. Bhd. ("SDE"), Silverlake Digitale Sdn. Bhd. ("SDS") and Silverlake One Paradigm Sdn. Bhd. ("SOP") (collectively, the "SIL Group"), 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 acquired SIL Group to expand its portfolio of Fintech software products and services to address the growing demand for transformational digital banking from its customers.

Consideration for the acquisition of SIL Group

The purchase consideration comprises a Base Consideration satisfied by the issuance of shares of the Company upon completion and an Earn-Out Consideration payable in cash ("Cash Option") and/or shares ("Earn-Out Consideration Shares") in the financial year ending 2021. The total purchase consideration shall not exceed 25% of the Company's market capitalisation as at 20 October 2017, the date of share sale and purchase agreement, of SGD469,774,624 (equivalent to RM1,462,032,585) ("Consideration Cap"), arrived at by multiplying the Company's issued shares excluding treasury shares of 2,646,617,600 with an agreed issue price of SGD0.71 per share ("Agreed Issue Price").

(i) Base Consideration ("BC")

The BC for each acquired entity is based on a multiple of the adjusted net profit after tax ("Adjusted NPAT") for the financial year ended 31 December 2016 ("FY2016"), as follows:

(a) the BC for SDE acquisition is RM93,893,801, being 11 times of SDE's Adjusted NPAT of approximately RM8,535,800 for FY2016;

(b) the BC for SDS acquisition is RM46,587,566, being 8 times of SDS's Adjusted NPAT of approximately RM5,823,446 for FY2016; and

(c) the BC for SOP acquisition is RM14,434,352, being 8 times of SOP's Adjusted NPAT of approximately RM1,804,294 for FY2016.

The aggregate BC of RM154,915,719 (equivalent to SGD49,776,916) was satisfied by the reissuance of 70,108,332 treasury shares of the Company, at the Agreed Issue Price, amounting to RM123,811,314 (Note 28(c)), upon completion in the financial year ended 30 June 2018. The surplus on reissuance of treasury shares of RM31,104,405 was recognised in the share premium account (Note 28(b)) in previous financial year.

(ii) Earn-Out Consideration ("EOC")

The EOC is only payable for each acquired entity achieving an average year-on-year percentage growth ("Average % Growth"), in its Adjusted NPAT, of at least 25% over the period from 1 January 2017 to 30 June 2020 as specified below:

- from 1 January 2017 to 30 June 2018, on an annualised basis ("FY2018");
- from 1 July 2018 to 30 June 2019 ("FY2019"); and
- from 1 July 2019 to 30 June 2020 ("FY2020").

## 13. Investments in subsidiaries (cont'd)

**Acquisition of subsidiaries (cont'd)**

**Previous financial year (cont'd)**

(b) Silverlake Investment Ltd. ("SIL") (cont'd)

Consideration for the acquisition of SIL Group (cont'd)

(ii) Earn-Out Consideration ("EOC") (cont'd)

The EOC shall be based on a multiple of the average Adjusted NPAT over FY2018 to FY2020 ("AVNPAT"), less the BC of each acquired entity as follows:

| | Average % Growth | |
|---|---|---|
| | Between 25% to 50% | Above 50% |
| SDE acquisition | 11.0 times of AVNPAT, less its BC | 14.5 times of AVNPAT, less its BC |
| SDS acquisition | 10.0 times of AVNPAT, less its BC | 12.0 times of AVNPAT, less its BC |
| SOP acquisition | 10.0 times of AVNPAT, less its BC | 12.0 times of AVNPAT, less its BC |

With the Consideration Cap of SGD469,774,624 (equivalent to RM1,462,032,585), the EOC shall not exceed SGD419,997,708 (equivalent to RM1,307,116,866), being the balance arrived at after deducting the BC paid.

The Company shall notify the vendors on their entitlements under the EOC within no later than seven days from the issuance of the audited financial statements of the acquired entities for FY2020 ("Company Notification"). The vendors may exercise Cash Option and the Company has the option to settle the EOC partially in cash based on funding available and settle the balance portion of EOC by Earn-Out Consideration Shares, at the higher of the Agreed Issue Price or the average volume weighted average price of the shares of the Company over the five market days immediately preceding the date of Company Notification. The EOC amount shall be paid within a period of up to seven months from the date of Company Notification.

As at the acquisition date, the fair value of EOC was estimated to be RM233,743,461 (Note 34(ii)) recognised under "Other Payables (non-current)" in the statements of financial position. The fair value of the EOC was calculated using the "probability-weighted average of payouts" method at a discount rate of 9%.

Subsequent measurement of Earn-Out Consideration ("EOC")
The overall audited net profit after tax of the acquired entities were lower than that estimated at the acquisition date. Accordingly, the Average % Growth was lower and the fair value of the EOC has been remeasured at a discount rate of 12% (2018: 9%). The fair value of the EOC decreased by RM14,839,820 (Note 5) with the fair value adjustment recognised in the "Other income" line item in the consolidated income statement for the financial year ended 30 June 2019.

Impact of acquisition on consolidated income statement
The results of the subsidiaries that were accounted for in the consolidated income statement under the pooling of interest method presented below are before elimination of intra-group transactions:

| | SIL Group |
|---|---|
| | 2018<br>RM |
| Revenue | 47,503,985 |
| Profit before tax | 11,960,453 |
| Profit for the year | 6,372,703 |
| Total assets | 67,088,188 |
| Total liabilities | 31,515,478 |

Acquisition-related costs of RM2,847,531 were recognised in the "Administrative expenses" line item in the consolidated income statement for the financial year ended 30 June 2018.

## 13. Investments in subsidiaries (cont'd)

**Acquisition of subsidiaries (cont'd)**

Impairment testing of investments in subsidiaries
During the financial year, management performed an impairment test for investments in subsidiaries. Based on the assessment, impairment losses of RM35,982,968 (2018: RM34,198,000) were recognised during the financial year to write down the carrying amounts of certain investments to their recoverable amounts in the Company's statement of financial position.

## 14. Investments in associates

| | Group | |
|---|---|---|
| | 2019 RM | 2018 RM |
| Shares at cost | 21,000,000 | 21,000,000 |
| Share of post - acquisition reserve | (21,000,000) | (21,000,000) |
| At end of the year | - | - |

| | Company | |
|---|---|---|
| | 2019 RM | 2018 RM |
| **Shares at cost** | | |
| At beginning of the year | 21,000,000 | 21,000,000 |
| Disposal | (21,000,000) | - |
| At end of the year | - | 21,000,000 |
| **Accumulated impairment loss** | | |
| At beginning of the year | 21,000,000 | 21,000,000 |
| Disposal | (21,000,000) | - |
| At end of the year | - | 21,000,000 |
| **Net carrying amount** | - | - |

The Group's investment in an associate is accounted for using the equity method in the consolidated financial statements.

Details of the associate is as follows:

| Name of associate | Principal activities | Country of incorporation | Proportion of ownership interest held 2019 % | Proportion of ownership interest held 2018 % |
|---|---|---|---|---|
| *Held by the Company:* | | | | |
| ePetrol Silverswitch Sdn. Bhd. ("ePetrol") ^ | Dormant | Malaysia | - | 24.50 |

^ Audited by BDO Binder, Malaysia

## 14. Investments in associates (cont'd)

On 5 March 2019, the Company disposed its investment in ePetrol at sale consideration of RM1 and received a sum of RM135,210 as a full settlement of loan given to ePetrol in previous years amounting to RM735,000. These sale consideration and loan repayment received were recognised under "Other income" (Note 5) in the consolidated income statement for the financial year ended 30 June 2019 as the Company's investment in ePetrol and loan to ePetrol had been fully impaired in previous financial years.

The Group has not recognised losses relating to ePetrol where its share of losses exceeds the Group's interest in this associate. The Group's cumulative share of unrecognised losses up to date of disposal was RM7,645,627 (2018: RM7,644,139), of which RM1,488 (2018: RM3,287,509) was the share of current year's losses. The Group had no obligation in respect of these losses.

## 15. Interest in a joint venture

| | Group | |
|---|---|---|
| | 2019 RM | 2018 RM |
| At beginning of the year | 9,667,993 | 30,175,732 |
| Advances to a joint venture | 79,139 | 82,519 |
| Share of loss for the year | (1,716,738) | (15,876,018) |
| Share of other comprehensive income | 76,988 | 63,800 |
| Currency translation differences | 516,629 | (4,778,040) |
| At end of the year | 8,624,011 | 9,667,993 |
| *Comprise:* | | |
| Shares, at cost | 139 | 139 |
| Advances to a joint venture (Note 19) | 32,688,469 | 32,092,701 |
| Share of post-acquisition reserves | (24,064,597) | (22,424,847) |
| | 8,624,011 | 9,667,993 |
| Fair value of interest in a joint venture * | 16,009,023 | 23,108,210 |

* The fair value is derived based on Level 1 valuation input under the fair value hierachy.

| | Company | |
|---|---|---|
| | 2019 RM | 2018 RM |
| Shares, at cost | 139 | 139 |
| Advances to a joint venture (Note 19) | 32,688,469 | 32,092,701 |
| Allowance for impairment loss on advances to a joint venture (Note 19) | (16,679,000) | (8,984,000) |
| | 16,009,608 | 23,108,840 |

The Group's interest in a joint venture is accounted for using the equity method in the consolidated financial statements.

## 15. Interest in a joint venture (cont'd)

Details of the joint venture are as follow:

| Name of companies | Principal activities | Country of incorporation | Proportion of ownership interest held 2019 % | Proportion of ownership interest held 2018 % |
|---|---|---|---|---|
| *Held by the Company:* | | | | |
| Silverlake HGH Limited ("SHGH") ^ | Investment holding | New Zealand | 51.00 | 51.00 |
| *Held by SHGH:* | | | | |
| Finzsoft Solutions Limited ("Finzsoft") ^^ | Computer software development, sales and support with hosting and SaaS Bureau Service | New Zealand | 85.47 | 85.47 |

^ Unaudited for the current financial year (2018: Audited by Staples Rodway, Chartered Accountants, Auckland, New Zealand)

^^ Audited by Crowe Horwath, New Zealand (2018: Audited by Staples Rodway, Chartered Accountants, Auckland, New Zealand)

Summarised financial information in respect of the Group's joint venture is set out below. The summarised financial information represents the amounts in the financial statements of the joint venture and not the Group's share of those amounts.

(i) Summarised statement of financial position

| | SHGH 2019 RM | SHGH 2018 RM |
|---|---|---|
| Cash and bank balances | 3,582,914 | 1,062,630 |
| Other current assets | 3,399,217 | 7,215,223 |
| Current assets | 6,982,131 | 8,277,853 |
| Non-current assets excluding goodwill | 39,894,282 | 35,687,577 |
| Goodwill | 70,299 | 69,186 |
| Non-current assets | 39,964,581 | 35,756,763 |
| **Total assets** | 46,946,712 | 44,034,616 |
| Current liabilities | (78,569,662) | (82,554,886) |
| Non-current liabilities | (10,640,468) | - |
| Non-controlling interests | (3,236,842) | (3,764,794) |
| **Net liabilities** | (45,500,260) | (42,285,064) |
| Proportion of the Group's ownership | 51% | 51% |
| **Group's share of net liabilities** | (23,205,133) | (21,565,383) |
| Advances to a joint venture | 32,688,469 | 32,092,701 |
| Dilution of interest in a joint venture | (859,325) | (859,325) |
| **Carrying amount of the investment** | 8,624,011 | 9,667,993 |

## 15. Interest in a joint venture (cont'd)

Summarised financial information in respect of the Group's joint venture is set out below. The summarised financial information represents the amounts in the financial statements of the joint venture and not the Group's share of those amounts. (cont'd)

(ii) Summarised statement of comprehensive income

| | SHGH | |
|---|---|---|
| | 2019 RM | 2018 RM |
| Revenue | 28,893,384 | 37,134,735 |
| Depreciation and amortisation | (4,910,691) | (7,348,810) |
| Interest income | - | 924 |
| Interest expense | (135,418) | (65,527) |
| Loss before tax | (3,558,813) | (43,054,384) |
| Income tax credit | 192,660 | 944,545 |
| Loss after tax | (3,366,153) | (42,109,839) |
| Other comprehensive income | 150,956 | 125,098 |
| Total comprehensive loss | (3,215,197) | (41,984,741) |

Acquisition of interest in a joint venture

On 18 December 2014, the Company entered into a joint venture with Holliday Group Holdings (ICT Investments No. 2) Limited ("HGH2") to form Silverlake HGH Limited ("SHGH") with shareholding of 51%, for the purpose to make a full takeover offer of the ordinary shares of Finzsoft Solutions Limited ("Finzsoft"). Finzsoft is a public company incorporated in New Zealand and listed on the New Zealand Stock Exchange, which principally engaged in computer software development, sales and support with hosting and SaaS Bureau service.

SHGH is incorporated in New Zealand and is a strategic venture for the Group to expand its existing portfolio of software solutions. The Group jointly controls SHGH with HGH2 under the contractual agreement and requires unanimous consent for all major decisions over the relevant activities.

On the same day, the Company and HGH2 entered into a funding agreement to provide funding or advances to SHGH in proportion of their shareholdings in SHGH for the takeover offer of Finzsoft. The advances provided to SHGH are non-interest bearing, and no demand for repayment will be made unless SHGH has sufficient funds to make repayment and both the Company and HGH2 agree to the demand being made.

As at 30 June 2019, the advances given by the Company to SHGH amounted to NZD11,760,557 (2018: NZD11,731,932) which is equivalent to RM32,688,469 (2018: RM32,092,701).

Impairment testing of interest in a joint venture

During the financial year, management performed an impairment test for the interest in a joint venture. Based on the assessment, impairment loss of RM7,695,000 (2018: RM2,372,000) was recognised during the financial year to write down the carrying amount of this investment to its recoverable amount in the Company's statement of financial position. Impairment loss of RM5,600,000 (Note 7) recognised in the Group's statement of financial position for the financial year ended 30 June 2017 had been reversed in the previous financial year as the recoverable amount of the investment is higher than its carrying amount following the share of loss in previous financial year.

## 16. Derivative asset

| | Group and Company |
|---|---|
| | 2019 RM |
| Financial asset at fair value | 9,366,693 |

This represents the fair value of call option in connection with the acquisition of the remaining 20% equity interest in SIA X Infotech Group, accounted for as a derivative asset in accordance with IFRS 9. The derivative asset shall be remeasured at each reporting date with changes in fair value being recognised in profit or loss.

## 17. Inventories

| | Group |
|---|---|
| | 2019 RM |
| Finished products for re-sale | 969,423 |

Inventories recognised as an expense under "Cost of sales" in the consolidated income statement for the financial year ended 30 June 2019 amounted to RM4,453,727 (2018: Nil).

## 18. Amounts due from/(to) customers for contract work-in-progress

| | Group |
|---|---|
| | 2018 RM |
| Aggregate amount of costs incurred and recognised profits (less recognised losses) to date | 205,492,678 |
| Provision for foreseeable losses | (1,023,814) |
| Progress billings | (191,922,596) |
| | 12,546,268 |
| *Presented as:* | |
| Amounts due from customers for contract work-in-progress | 55,829,157 |
| Amounts due to customers for contract work-in-progress | (43,282,889) |
| | 12,546,268 |

Included in contract work-in-progress capitalised during the previous financial year was employee benefits expense amounted to RM1,403,300 (Note 8).

## 19. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| **Trade receivables** | | | | |
| Third parties | 136,747,681 | 135,116,756 | - | - |
| Less: Allowance for impairment (Note 41(c)) | - | (3,140,800) | - | - |
| Less: Expected credit losses (Note 41(c)) | (10,766,066) | - | - | - |
| **Net trade receivables (Note 41(c))** | 125,981,615 | 131,975,956 | - | - |
| **Other receivables** | | | | |
| Sundry receivables | 3,381,838 | 3,361,817 | 214,047 | 144,727 |
| Deposits | 4,958,523 | 3,763,826 | - | - |
| | 8,340,361 | 7,125,643 | 214,047 | 144,727 |
| **Total trade and other receivables** | 134,321,976 | 139,101,599 | 214,047 | 144,727 |
| Trade and other receivables | 134,321,976 | 139,101,599 | 214,047 | 144,727 |
| Advances to a joint venture (Note 15) | 32,688,469 | 32,092,701 | 16,009,469 | 23,108,701 |
| Amounts due from: | | | | |
| - Subsidiaries (Note 21) | - | - | 34,492 | 15,486 |
| - Related parties (Note 21) | 17,473,386 | 50,027,486 | - | - |
| Loans to subsidiaries (Note 22) | - | - | 2,836,600 | - |
| **Total debt instruments at amortised cost/ Total loans and receivables** * | 184,483,831 | 221,221,786 | 19,094,608 | 23,268,914 |

* Financial assets excluding cash and bank balances.

**Trade receivables**
Trade receivables are non-interest bearing and are generally on 30 days to 45 days (2018: 30 days to 45 days) term. They are recognised at their original invoiced amounts which represent their fair values on initial recognition.

As at 30 June 2019, the Group's significant concentration of credit risk is as disclosed in Note 41(c).

**Receivables that are impaired**
Trade receivables that are impaired at the reporting date relate to debtors collectively or individually assessed for expected credit losses in accordance with IFRS 9 Financial Instruments as disclosed in Note 41(c).

Comparatives information under IAS 39 Financial Instruments: Recognition and Measurement
Trade receivables that are impaired at the previous reporting date relate to debtors that are slow in payments. These receivables are not secured by any collateral or credit enhancements. Information regarding financial assets that are neither past due nor impaired and past due and/or impaired is disclosed in Note 41(c).

**Other receivables**
Other receivables are unsecured, non-interest bearing and repayable on demand.

Other information on financial risks of trade and other receivables are disclosed in Note 41(c).

## 20. Contract assets/(liabilities)

| | Group | |
|---|---|---|
| | 30.06.2019 RM | 01.07.2018 RM |
| **Contract assets** | | |
| Amounts due from customers for contract work-in-progress | 51,631,907 | 55,730,929 |
| Advance maintenance costs | 5,103,522 | 1,882,697 |
| Prepaid license and hardware costs | 846,530 | 573,236 |
| | 57,581,959 | 58,186,862 |
| Less: Expected credit losses (Note 41(c)) | (34,519) | - |
| **Net contract assets** | 57,547,440 | 58,186,862 |
| **Contract liabilities** | | |
| Amounts due to customers for contract work-in-progress | 39,808,665 | 43,242,892 |
| Advance maintenance fees | 69,567,212 | 51,528,917 |
| Deferred revenue | 8,947,366 | 5,857,026 |
| | 118,323,243 | 100,628,835 |

Contract assets include mainly amounts due from customers for contract work-in-progress, which are initially recognised for revenue earned from project implementation services and enhancement services as receipt of consideration is conditional on successful completion of implementation and enhancement work. Upon acceptance of work progress by the customer and issuance of billing to customer, the amounts recognised as contract assets are reclassified to trade receivables.

Contract assets also include advance maintenance costs where billings are received or payments are made in advance for which the maintenance costs will be recognised over the contractual period, as well as prepaid costs where the costs will be recognised when the goods are received from the suppliers.

Contract liabilities include amounts due to customers for contract work-in-progress where billings have been issued to or amounts collected from customers for work yet to be performed, maintenance fees billed in advance for which revenue will be recognised over the contractual period, as well as deferred revenue where transaction price is allocated to unexpired free man-days and options for the customers to acquire additional goods or services at discounts.

The increase in contract liabilities as at financial year ended 30 June 2019 was mainly due to higher maintenance fee billings (with a portion allocated to deferred revenue) raised or amounts collected during the year and the acquisition of subsidiaries which contributed to an increase in contract liabilities amounting to RM13,251,778 (Note 13(a)). The deferred revenue pertaining to free man-days and options for the customers to acquire additional goods or services at discounts will be deferred until they are either utilised, exercised, expired or lapsed.

Set out below is the amount of revenue recognised from:

| | Group |
|---|---|
| | 2019 RM |
| Amounts included in contract liabilities at the beginning of the year | 97,115,310 |

Included in contract assets capitalised during the financial year is employee benefits expense amounted to RM154,155 (Note 8).

## 21. Amounts due from/(to) holding company, subsidiaries and related parties

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Amount due to holding company (Note 34) | - | (213,120) | - | - |
| Amounts due from subsidiaries (Note 19) | - | - | 34,492 | 15,486 |
| Amounts due to subsidiaries (Note 34) | - | - | (1,538,309) | (623,728) |
| Amounts due from related parties (Note 19) | | | | |
| - Trade (Note 41(c)) | 17,323,115 | 49,904,390 | - | - |
| - Non-trade | 150,271 | 123,096 | - | - |
| | 17,473,386 | 50,027,486 | - | - |
| Amounts due to related parties (Note 34) | | | | |
| - Trade | (2,395,871) | (2,077,855) | - | - |
| - Non-trade | (397,236) | (432,286) | - | - |
| | (2,793,107) | (2,510,141) | - | - |

**Amount due to holding company**
The amount due to holding company represents advances given to SIL Group prior to the acquisition of SIL Group. This balance is non-trade, unsecured, non-interest bearing and repayable in cash on demand.

**Amounts due from/(to) subsidiaries**
The amounts due from/(to) subsidiaries are non-trade, unsecured, non-interest bearing and repayable in cash on demand.

**Amounts due from related parties**
The amounts due from related parties are unsecured and non-interest bearing except for amounts owing by related parties to certain subsidiaries amounted to RM4,779,424 (2018: RM29,716,167) which carry interest at 1.0% (2018: 1.0%) per month for debts past due credit terms. The trade amounts due from related parties have a credit term of 30 days (2018: 30 days). The amounts due from related parties are to be settled in cash.

**Amounts due to related parties**
The amounts due to related parties are unsecured, non-interest bearing and repayable in cash on demand.

Further details on related party transactions are disclosed in Note 39(a).

Other information on financial risks of amounts due from/(to) holding company, subsidiaries and related parties are disclosed in Note 41.

## 22. Loans to subsidiaries

| | Company | |
|---|---|---|
| | 2019 RM | 2018 RM |
| Loans to subsidiaries | 35,191,540 | 32,354,940 |
| Less: Expected credit losses | (32,354,940) | (32,354,940) |
| | 2,836,600 | - |

Loans to subsidiaries are unsecured and repayable on demand. Included in loans to subsidiaries is an amount of RM2,836,600 which bears interest at 5.5% (2018: Nil) per annum.

## 23. Available-for-sale financial assets - quoted equity shares

| | Group |
|---|---|
| | 2018 RM |
| **Shares at fair value, quoted** | |
| At beginning of the year | 280,305,198 |
| Subsequent fair value loss through other comprehensive income (Note 29(e)) | (38,123,710) |
| Disposals | (29,128,922) |
| Currency translation differences | (23,272,362) |
| At end of the year | 189,780,204 |

This represents investment in equity interest in Global InfoTech Co. Ltd. which has been re-measured at fair value. The fair value is derived based on Level 1 valuation input under the fair value hierarchy.

These assets have been reclassified as financial assets at fair value through comprehensive income effective 1 July 2018 in compliance with IFRS 9.

## 24. Available-for-sale financial assets - money market fund

| | Group |
|---|---|
| | 2018 RM |
| Money market fund | 4,559,997 |

Available-for-sale financial assets at fair value through other comprehensive income of the Group represent investment in money market fund with financial institutions. Fair value of this investment is determined by reference to the net asset value of the fund.

These assets have been reclassified as financial assets at fair value through profit or loss effective 1 July 2018 in compliance with IFRS 9.

## 25. Financial assets at fair value through other comprehensive income - quoted equity shares

| | Group |
|---|---|
| | 2019 RM |
| **Shares at fair value, quoted** | |
| At beginning of the year, reclassified from available-for-sale financial assets (Note 23) | 189,780,204 |
| Subsequent fair value loss through other comprehensive income (Note 29(e)) | (23,061,029) |
| Currency translation differences | 5,380,689 |
| At end of the year | 172,099,864 |

This represents investment in equity interest in Global InfoTech Co. Ltd. which has been re-measured at fair value. The fair value is derived based on Level 1 valuation input under the fair value hierarchy.

## 26. Financial assets at fair value through profit or loss - money market fund

| | Group |
|---|---|
| | 2019 RM |
| Money market fund | 8,879,131 |

Financial assets at fair value through profit or loss of the Group represent investment in money market fund with financial institutions. Fair value of this investment is determined by reference to the net asset value of the fund. Any subsequent changes in fair value is recognised in profit or loss.

## 27. Cash and bank balances

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Cash at banks and on hand | 242,494,445 | 129,971,207 | 2,577,573 | 2,666,717 |
| Short-term deposits with licensed banks | 199,502,699 | 174,071,229 | 79,532,909 | 86,235,400 |
| Cash and bank balances | 441,997,144 | 304,042,436 | 82,110,482 | 88,902,117 |

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods between one day and twelve months (2018: one day and twelve months) depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates. As at 30 June 2019, the interest rates of short-term deposits of the Group and of the Company at the reporting date range from 0.15% to 7.75% (2018: 0.15% to 5.25%) and 1.20% to 2.35% (2018: 0.50% to 1.85%) per annum respectively.

As at 30 June 2019, short-term deposits with licensed banks of the Group amounting to RM8,467,897 (2018: RM7,280,916) are pledged by certain subsidiaries for bank guarantee facilities in relation to project tenders.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following at the reporting date:

| | Group | |
|---|---|---|
| | 2019 RM | 2018 RM |
| Cash and bank balances | 441,997,144 | 304,042,436 |
| Less: Short-term deposits with licensed banks with maturity more than 3 months | (14,754,750) | - |
| Less: Pledged deposits | (8,467,897) | (7,280,916) |
| Less: Bank overdraft (Note 31) | (9,936,642) | (3,267,477) |
| Cash and cash equivalents | 408,837,855 | 293,494,043 |

## 28. Share capital, share premium, treasury shares and performance share plan

### (a) Ordinary share capital

#### (i) Authorised

| | Group and Company Number of ordinary shares of USD0.02 each | |
|---|---|---|
| | 2019 | 2018 |
| At beginning of the year | 5,000,000,000 | 3,000,000,000 |
| Created during the year | - | 2,000,000,000 |
| At end of the year | 5,000,000,000 | 5,000,000,000 |

In the previous financial year, the Company increased its authorised share capital via the creation of 2,000 million ordinary shares of USD0.02 each.

#### (ii) Issued and fully paid

| | Group and Company | | | |
|---|---|---|---|---|
| | Number of ordinary shares of USD0.02 each | | Amount | |
| | 2019 | 2018 | 2019 RM | 2018 RM |
| At beginning and end of the year | 2,696,472,800 | 2,696,472,800 | 191,040,654 | 191,040,654 |

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

### (b) Share premium

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| At beginning of the year | 234,417,308 | 232,217,438 | 1,702,079,469 | 1,668,775,194 |
| Arising from: | | | | |
| - Release of treasury shares to a former non-executive director (Note c) | (23,924) | - | (23,924) | - |
| - Release of treasury shares pursuant to Performance Share Plan (Note d) | 2,427,338 | 2,199,870 | 2,427,338 | 2,199,870 |
| - Reissuance of treasury shares for acquisition of subsidiaries (Note 13(b)(i)) * | - | 31,104,405 | - | 31,104,405 |
| - Set off * | - | (31,104,405) | - | - |
| At end of the year | 236,820,722 | 234,417,308 | 1,704,482,883 | 1,702,079,469 |

* Pursuant to Section 40(1) of Bermuda Companies Act 1981, the share premium from the reissuance of treasury shares for the acquisition of SIL Group had been set off against the merger deficit arising from the acquisition in prior year.

## 28. Share capital, share premium, treasury shares and performance share plan (cont'd)

### (c) Treasury shares

| | Group and Company | |
|---|---|---|
| | Number of treasury shares | RM |
| At 1 July 2017 | 49,855,200 | 86,627,098 |
| Purchase of treasury shares | 62,485,200 | 108,921,092 |
| Release of treasury shares pursuant to Performance Share Plan (Note d) | (1,800,000) | (3,178,800) |
| Reissuance of treasury shares for acquisition of subsidiaries (Note 13(b)(i)) | (70,108,332) | (123,811,314) |
| At 30 June 2018 | 40,432,068 | 68,558,076 |
| At 1 July 2018 | 40,432,068 | 68,558,076 |
| Purchase of treasury shares | 13,938,000 | 17,855,204 |
| Release of treasury shares to a former non-executive director | (150,000) | (238,350) |
| Release of treasury shares pursuant to Performance Share Plan (Note d) | (2,800,000) | (4,449,200) |
| At 30 June 2019 | 51,420,068 | 81,725,730 |

Treasury shares relate to ordinary shares of the Company that are held by the Company.

During the financial year, the Company purchased 13,938,000 (2018: 62,485,200) shares pursuant to the share purchase mandate approved by shareholders on 26 October 2018 (2018: 26 October 2017). These shares were acquired by way of market acquisition for a total consideration of RM17,855,204 (2018: RM108,921,092) and are held as treasury shares by the Company.

On 26 October 2018, the Company awarded 150,000 shares to its former non-executive director, Datuk Sulaiman bin Daud. The shares awards are based on the service and contributions made by the former non-executive director to the success of the Company. These shares were released from the Company's existing treasury shares at the price of SGD0.47 per share, amounted to RM214,426 (Note 8). The deficit on reissuance of treasury shares of RM23,924 was recognised in the share premium account (Note b).

The percentage of treasury shares over total ordinary shares net treasury shares amounts to 1.9% (2018: 1.5%).

### (d) Performance share plan ("PSP")

| | Group and Company | | |
|---|---|---|---|
| | Managing Director RM | Independent Non-Executive Directors RM | Total RM |
| At 1 July 2017 | 10,163,890 | - | 10,163,890 |
| Grant of PSP (Note 8 and Note 39(b)) | 1,271,254 | - | 1,271,254 |
| - Current year | 3,064,144 | - | 3,064,144 |
| - Reversal of PSP shares lapsed | (1,792,890) | - | (1,792,890) |
| Release of PSP | (5,378,670) | - | (5,378,670) |
| At 30 June 2018 | 6,056,474 | - | 6,056,474 |
| At 1 July 2018 | 6,056,474 | - | 6,056,474 |
| Grant of PSP (Note 8 and Note 39(b)) | (837,554) | 1,657,618 | 820,064 |
| - Current year | 902,086 | 1,657,618 | 2,559,704 |
| - Reversal of PSP shares lapsed | (1,739,640) | - | (1,739,640) |
| Release of PSP | (5,218,920) | (1,657,618) | (6,876,538) |
| At 30 June 2019 | - | - | - |

## 28. Share capital, share premium, treasury shares and performance share plan (cont'd)

### (d) Performance share plan ("PSP") (cont'd)

#### (i) PSP shares granted to managing director

On 5 January 2015, a maximum 10,000,000 PSP shares were awarded and granted to the Group Managing Director, Dr. Kwong Yong Sin. Taking into account the bonus issue on 8 July 2015, the maximum number of outstanding share awards for the remaining four-financial year performance period to financial year ended 30 June 2018 had been adjusted from 8,000,000 shares to 9,600,000 shares in financial year 2016.

On 15 February 2019, 1,800,000 (2018: 1,800,000) (Note c) PSP shares, out of 2,400,000 (2018: 2,400,000) PSP shares which were subjected to the achievement of performance targets set for financial year ended 30 June 2018 (2018: 30 June 2017), were released from the Company's existing treasury shares at the market price of SGD0.545 (2018: SGD0.570) per share at grant date, amounting to RM5,218,920 (2018: RM5,378,670) to Dr. Kwong Yong Sin in recognition of his contribution to the Group for financial year ended 30 June 2018 (2018: 30 June 2017). The surplus on reissuance of treasury shares of RM2,358,720 (2018: RM2,199,870) was recognised in the share premium account (Note b).

The shares awarded were subject to restrictions against any disposal or sale and/or other dealings in the shares for a period of one year from the applicable release date.

During the financial year, 600,000 (2018: 600,000) shares had lapsed and the related expense of RM1,739,640 (2018: RM1,792,890) recognised previously had been reversed to profit or loss. As at the reporting date, there was no outstanding share award recognised in performance share plan reserve account.

The fair value of PSP awarded was estimated using Forward Pricing Formula, taking into account the terms and conditions upon which the PSP were awarded. The fair value of PSP measured at grant date and the assumptions were as follows:

| | PSP granted to Managing Director | |
|---|---|---|
| Granted during financial year ended 30 June | 2016 | 2015 |
| Number of shares awarded | 1,600,000 | 10,000,000 |
| **Fair value of PSP:** | | |
| Weighted average fair value of PSP (RM) | 1.94 | 3.26 |
| Share price at grant date (RM) | 1.95 | 3.39 |
| Average risk free rate (%) | 1.03 | 1.32 |
| Expected dividend yield (%) | 3.48 | 4.32 |

The share price at grant date used was the closing price of the Company's shares on that date. Expected yield rate used was based on historical data and future estimates, which may not necessarily be the actual outcome. No other features of the share award were incorporated into the measurement of fair value.

#### (ii) PSP shares granted to independent non-executive directors

On 30 January 2019, the Company granted 1,000,000 PSP shares awards to its five independent non-executive directors at 200,000 shares each. The shares awards are based on the service and contributions made by each independent non-executive director to the success of the Company.

The shares awarded are subject to restrictions against any disposal or sale and/or other dealings in the shares for a period of one year from the applicable release date.

On 15 February 2019, 1,000,000 shares were released from the Company's existing treasury shares at the price of SGD0.545 per share, amounted to RM1,657,618. The surplus on reissuance of treasury shares of RM68,618 was recognised in the share premium account (Note b).

## 29. Foreign currency translation reserve, capital reserve, statutory reserve, performance share plan reserve and available-for-sale reserve/fair value reserve of financial assets at fair value through other comprehensive income

### (a) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

### (b) Capital reserve

This represents non-distributable capital reserve of a subsidiary arising from the issuance of bonus shares in prior years.

### (c) Statutory reserve

This represents non-distributable reserve of a subsidiary incorporated in Thailand. As required by Thailand Civil and Commercial Code, an entity shall allocate at least 5% of its annual net profit to a reserve, when dividend is declared, until the reserve reaches an amount not less than 10% of the entity's authorised capital.

### (d) Performance share plan reserve

This represents non-distributable reserve arising from performance shares granted to managing director and independent non-executive directors (Note 28(d)). As at previous reporting date, the reserve was made up of the cumulative value of service received from managing director over the vesting period commencing from the grant date of the performance shares and will be reduced by the release of the performance shares on the release date. As at reporting date, there were no outstanding shares awarded and the shares granted to managing director and non-executive directors have been fully released during the financial year.

## 29. Foreign currency translation reserve, capital reserve, statutory reserve, performance share plan reserve and available-for-sale reserve/fair value reserve of financial assets at fair value through other comprehensive income (cont'd)

### (e) Available-for-sale ("AFS") reserve/Fair value reserve of financial assets at fair value through other comprehensive income ("FVOCI")

| | Group | | |
|---|---|---|---|
| | Fair value loss on financial assets | Deferred tax relating to fair value loss on financial assets (Note 33) | Total |
| | RM | RM | RM |
| **AFS reserve** | | | |
| At 1 July 2017 | 95,598,263 | (8,400,824) | 87,197,439 |
| Remeasurement on financial assets (Note 23) | 38,123,710 | (4,557,524) | 33,566,186 |
| Reclassification to profit or loss | (8,790,405) | 839,998 | (7,950,407) |
| | 29,333,305 | (3,717,526) | 25,615,779 |
| At 30 June 2018 | 124,931,568 | (12,118,350) | 112,813,218 |
| At 1 July 2018 | 124,931,568 | (12,118,350) | 112,813,218 |
| Adjustment on initial application of IFRS 9 | (124,931,568) | 12,118,350 | (112,813,218) |
| At 30 June 2019 | - | - | - |
| **Fair value reserve of financial assets at FVOCI** | | | |
| At 1 July 2018, initial application of IFRS 9 | 124,931,568 | (12,118,350) | 112,813,218 |
| Remeasurement on financial assets (Note 25) | 23,061,029 | (2,255,182) | 20,805,847 |
| At 30 June 2019 | 147,992,597 | (14,373,532) | 133,619,065 |

This represents non-distributable reserve arising from cumulative fair value changes, net of tax, of financial assets until they are disposed of.

The above reserves are not available for dividend distribution to shareholders.

## 30. Merger deficit

| | Group | |
|---|---|---|
| | 2019 RM | 2018 RM |
| At beginning of the year | 476,280,829 | 118,726,054 |
| Arising from acquisition of subsidiaries | - | 357,554,775 |
| At end of the year | 476,280,829 | 476,280,829 |

The merger deficit represents the excess of nominal value of the shares issued by the Company over the book value of the assets and liabilities of the acquired subsidiaries, accounted for using the pooling of interest method.

The above reserve is not available for dividend distribution to shareholders.

## 31. Loans and borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| **Current** | | | | |
| **Unsecured** | | | | |
| Revolving credit - Uncommitted | - | 20,720,000 | - | 20,720,000 |
| Bank overdraft (Note 27) | 9,936,642 | - | - | - |
| | 9,936,642 | 20,720,000 | - | 20,720,000 |
| **Secured** | | | | |
| Obligations under finance leases (Note 32) | 1,151,734 | 1,376,291 | - | - |
| Bank overdraft (Note 27) | - | 3,267,477 | - | - |
| Term loan | 223,689 | - | - | - |
| | 1,375,423 | 4,643,768 | - | - |
| | 11,312,065 | 25,363,768 | - | 20,720,000 |
| **Non-current** | | | | |
| **Unsecured** | | | | |
| Revolving credit - Committed | 59,947,894 | - | 59,947,894 | - |
| **Secured** | | | | |
| Obligations under finance leases (Note 32) | 2,423,648 | 2,925,844 | - | - |
| Term loan | 727,248 | - | - | - |
| | 3,150,896 | 2,925,844 | - | - |
| | 63,098,790 | 2,925,844 | 59,947,894 | - |
| **Total loans and borrowings (Note 34)** | 74,410,855 | 28,289,612 | 59,947,894 | 20,720,000 |

**Uncommitted revolving credit facility - floating rate**

As at previous reporting date, the Company had outstanding balance of uncommitted revolving credit amounting to SGD7,000,000, which is equivalent to RM20,720,000. This revolving credit was guaranteed by a subsidiary with an average effective interest rate of 1.92% per annum. It is repayable on the last day of its interest period and the principal amount may be rolled over, provided that any interest accrued on the facility was paid on the last day of its interest period. During the financial year, this revolving credit facility has been refinanced for a 3-year medium term committed revolving credit facility.

**Committed revolving credit facility - floating rate**

During the financial year, the Company has refinanced its existing uncommitted revolving credit facility for a new 3-year medium term committed revolving credit facility guaranteed by subsidiaries of the Company. The facility can be drawn down for one, three or six months. It is repayable on the last day of its interest period and the principal amount may be rolled over at the discretion of the Company, provided that any interest accrued on the facility was paid on the last day of its interest period. This revolving credit facility will be due for termination on 8 January 2022.

As at the reporting date, the Company has outstanding balance of revolving credit amounting to SGD7,910,000 and USD8,624,444, which are equivalent to RM24,212,510 and RM35,735,384 respectively. The average effective interest rate of this revolving credit at the reporting date was 3.38% per annum.

## 31. Loans and borrowings (cont'd)

**Obligations under finance leases - fixed rate**
These obligations are secured by a charge over the leased assets (Note 11) and purchased software (Note 12). The effective interest rate of the leases are disclosed in Note 32.

**Overdraft facility - floating rate**
A subsidiary has an overdraft facility with effective interest rate of 8.39% (2018: 8.29%) per annum. This facility was secured by personal guarantee provided by a director as at previous reporting date. The personal guarantee has been discharged during the financial year and is now secured by guarantee provided by the Company.

**Term loan - floating rate**
This loan is repayable in 60 monthly instalments from the first drawdown on 24 May 2018 and was secured by guarantee provided by Development Finance Institution ALTUM and commercial pledge on property, plant and equipment (Note 11) of a subsidiary. The weighted average effective interest rate of this loan at the reporting date was 4.0% per annum.

## 32. Obligations under finance leases

| | Group | |
|---|---|---|
| | 2019 RM | 2018 RM |
| **Minimum lease payments:** | | |
| Not later than one year | 1,289,638 | 1,522,381 |
| Later than one year but not later than five years | 2,426,629 | 2,994,847 |
| Later than five years but not later than seven years | 173,991 | 194,885 |
| | 3,890,258 | 4,712,113 |
| Less: Amounts representing finance charges | (314,876) | (409,978) |
| | 3,575,382 | 4,302,135 |
| **The present value of the obligations under finance leases may be analysed as follows:** | | |
| Not later than one year | 1,151,734 | 1,376,291 |
| Later than one year but not later than five years | 2,254,248 | 2,740,744 |
| Later than five years but not later than seven years | 169,400 | 185,100 |
| | 3,575,382 | 4,302,135 |
| *Presented as:* | | |
| Current (Note 31) | 1,151,734 | 1,376,291 |
| Non-current (Note 31) | 2,423,648 | 2,925,844 |
| | 3,575,382 | 4,302,135 |

The effective interest rates of finance lease liabilities at the reporting date range from 0.83% to 4.60% (2018: 0.83% to 4.60%) per annum.

## 33. Deferred tax

| | Group | |
|---|---|---|
| | 2019 RM | 2018 RM |
| At beginning of the year | 15,453,336 | 34,598,764 |
| Recognised in income statement (Note 9): | | |
| Provision in current year | (5,564,906) | (13,401,323) |
| Over provision in prior financial years | (519,089) | (425,868) |
| Recognised in other comprehensive income: | | |
| Provision in current year | (2,657,228) | (3,478,147) |
| Under/(Over) provision in prior financial years | 106,498 | (55,215) |
| Currency translation differences | 334,777 | (1,784,875) |
| At end of the year | 7,153,388 | 15,453,336 |
| *Presented after appropriate offsetting as follows:* | | |
| Deferred tax assets | (28,322,170) | (17,712,779) |
| Offsetting | 2,239,834 | 1,337,458 |
| Deferred tax assets (after offsetting) | (26,082,336) | (16,375,321) |
| Deferred tax liabilities | 35,475,558 | 33,166,115 |
| Offsetting | (2,239,834) | (1,337,458) |
| Deferred tax liabilities (after offsetting) | 33,235,724 | 31,828,657 |
| Deferred tax | 7,153,388 | 15,453,336 |

The Group offsets deferred tax assets and liabilities if and only if it has a legally enforceable right to set off deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

## 33. Deferred tax (cont'd)

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

**Deferred tax liabilities of the Group:**

| | Software development expenditure | Proprietary software | Customer relationship | Property, plant and equipment | Undistributed profits of a subsidiary (Note 9) | Financial assets at fair value through OCI | Others | Total |
|---|---|---|---|---|---|---|---|---|
| | RM | RM | RM | RM | RM | RM | RM | RM |
| At 1 July 2017 | 3,274,964 | 7,823,784 | 2,564,832 | 485,412 | 150,127 | 27,243,317 | 693,891 | 42,236,327 |
| Recognised in income statement: | | | | | | | | |
| Provision in current year | 2,527,566 | (1,230,856) | (222,672) | (70,923) | 10,152 | (3,068,330) | (134,410) | (2,189,473) |
| (Over)/Under provision in prior financial years | (6) | - | - | 35,147 | - | (589,154) | (428,570) | (982,583) |
| Recognised in other comprehensive income (Note 29(e)): | | | | | | | | |
| Provision in current year | - | - | - | - | - | (3,717,526) | - | (3,717,526) |
| Currency translation differences | - | (424,869) | (66,595) | (14,078) | - | (1,640,956) | (34,132) | (2,180,630) |
| At 30 June 2018 | 5,802,524 | 6,168,059 | 2,275,565 | 435,558 | 160,279 | 18,227,351 | 96,779 | 33,166,115 |
| At 1 July 2018 | 5,802,524 | 6,168,059 | 2,275,565 | 435,558 | 160,279 | 18,227,351 | 96,779 | 33,166,115 |
| Recognised in income statement: | | | | | | | | |
| Provision in current year | 5,000,443 | (1,362,854) | (387,017) | 62,337 | 276,228 | - | 126,866 | 3,716,003 |
| Under provision in prior financial years | - | - | - | 22,356 | - | - | - | 22,356 |
| Recognised in other comprehensive income (Note 29(e)): | | | | | | | | |
| Provision in current year | - | - | - | - | - | (2,255,182) | - | (2,255,182) |
| Currency translation differences | - | 257,023 | 27,790 | 8,197 | - | 516,402 | 16,854 | 826,266 |
| At 30 June 2019 | 10,802,967 | 5,062,228 | 1,916,338 | 528,448 | 436,507 | 16,488,571 | 240,499 | 35,475,558 |

## 33. Deferred tax (cont'd)

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows: (cont'd)

**Deferred tax assets of the Group:**

| | Provision for defined benefit liabilities RM | Allowance for unutilised leave RM | Contract liabilities RM | Unutilised tax losses RM | Others RM | Total RM |
|---|---|---|---|---|---|---|
| At 1 July 2017 | (1,876,668) | (885,157) | (3,613,227) | (530,360) | (732,151) | (7,637,563) |
| Recognised in income statement: | | | | | | |
| Provision in current year | (37,190) | (167,738) | (615,852) | (9,648,693) | (742,377) | (11,211,850) |
| (Under)/Over provision in prior financial years | (155,466) | (28,301) | 377,906 | (13,204) | 375,780 | 556,715 |
| Recognised in other comprehensive income (Note 37): | | | | | | |
| Provision in current year | 239,379 | - | - | - | - | 239,379 |
| Under provision in prior financial years | (55,215) | - | - | - | - | (55,215) |
| Currency translation differences | 189,687 | 15,035 | 37,092 | 127,818 | 26,123 | 395,755 |
| At 30 June 2018 | (1,695,473) | (1,066,161) | (3,814,081) | (10,064,439) | (1,072,625) | (17,712,779) |
| At 1 July 2018 | (1,695,473) | (1,066,161) | (3,814,081) | (10,064,439) | (1,072,625) | (17,712,779) |
| Recognised in income statement: | | | | | | |
| Provision in current year | (326,187) | (711,453) | (6,704,089) | (1,828,080) | 288,900 | (9,280,909) |
| Under provision in prior financial years | (186,581) | - | (257,795) | (51,661) | (45,408) | (541,445) |
| Recognised in other comprehensive income (Note 37): | | | | | | |
| Provision in current year | (402,046) | - | - | - | - | (402,046) |
| Over provision in prior financial years | 106,498 | - | - | - | - | 106,498 |
| Currency translation differences | (139,698) | (15,438) | (22,721) | (284,328) | (29,304) | (491,489) |
| At 30 June 2019 | (2,643,487) | (1,793,052) | (10,798,686) | (12,228,508) | (858,437) | (28,322,170) |

## 33. Deferred tax (cont'd)

As at reporting date, the deferred tax assets have not been recognised in respect of the following items:

| | Group | |
|---|---|---|
| | 2019 RM | 2018 RM |
| Unutilised tax losses | 91,465,950 | 104,931,783 |
| Unabsorbed capital allowances | 62,549 | 9,360,616 |
| | 91,528,499 | 114,292,399 |

**Tax consequences of proposed dividends**

There are no income tax consequences (2018: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 38).

**Unutilised tax losses**

Included in the unutilised tax losses of RM91,465,950 (2018: RM104,931,783) are tax losses in subsidiaries of RM50,750,527 (2018: RM67,617,026) that are available indefinitely for offset against future taxable profits of the subsidiaries in which the losses arose. However, as these losses relate to subsidiaries that have a history of losses, deferred tax assets have not been recognised as these losses may not be used to offset taxable profits elsewhere in the Group. If the Group was able to recognise these unrecognised deferred tax assets, profit would increase by RM21,153,406 (2018: RM22,974,879).

**Unrecognised earnings**

At 30 June 2019, deferred tax liabilities of RM436,507 (2018: RM160,279) have been recognised for taxes that would be payable on the undistributed earnings of a subsidiary. There was no other recognised deferred tax liability for taxes that would be payable on the undistributed earnings of other subsidiaries and joint venture of the Group. The Group has determined that undistributed profits of other subsidiaries and joint venture will not be distributed in the foreseeable future. At the reporting date, deferred tax liability on undistributed earnings of other subsidiaries and joint venture amounting to RM4,940,915 (2018: RM3,480,625) has not been recognised.

## 34. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| **Current** | | | | |
| **Trade payables** | | | | |
| Third parties | 10,990,512 | 3,590,947 | - | - |
| Accrual of sub-contractor fees | 15,631,818 | 17,210,177 | - | - |
| **Total trade payables** | 26,622,330 | 20,801,124 | - | - |
| **Other payables** | | | | |
| Sundry payables and accruals | 32,957,101 | 21,315,325 | 1,788,896 | 1,944,126 |
| Allowance for unutilised leave | 11,087,203 | 7,948,756 | - | - |
| Provision for value-added tax | - | 17,895,280 | - | - |
| **Total other payables** | 44,044,304 | 47,159,361 | 1,788,896 | 1,944,126 |
| | 70,666,634 | 67,960,485 | 1,788,896 | 1,944,126 |
| **Non-current** | | | | |
| **Other payables** | | | | |
| Contingent consideration for business combination | 248,502,535 | 233,743,461 | 248,502,535 | 233,743,461 |
| **Total other payables** | 248,502,535 | 233,743,461 | 248,502,535 | 233,743,461 |
| **Total trade and other payables** | 319,169,169 | 301,703,946 | 250,291,431 | 235,687,587 |
| Trade and other payables | 319,169,169 | 301,703,946 | 250,291,431 | 235,687,587 |
| Less: Provision for value-added tax | - | (17,895,280) | - | - |
| Loans and borrowings (Note 31) | 74,410,855 | 28,289,612 | 59,947,894 | 20,720,000 |
| Amounts due to: | | | | |
| - Holding company (Note 21) | - | 213,120 | - | - |
| - Subsidiaries (Note 21) | - | - | 1,538,309 | 623,728 |
| - Related parties (Note 21) | 2,793,107 | 2,510,141 | - | - |
| **Total financial liabilities carried at amortised cost** | 396,373,131 | 314,821,539 | 311,777,634 | 257,031,315 |

**Trade and other payables (current)**
These amounts are non-interest bearing. Trade payables are normally settled on 60 days (2018: 60 days) term while other payables have an average term of 6 months (2018: 6 months).

## 34. Trade and other payables (cont'd)

**Contingent consideration for business combination**

This amount represents the fair value of the remaining purchase consideration payable to the vendors in FY2021 in relation to the acquisition of XIT Group (Note 13(a)) and SIL Group (Note 13(b)).

### (i) Acquisition of XIT Group

| | Group and Company |
|---|---|
| | 2019 RM |
| Contingent consideration (Note 13(a)) | 4,628,529 |
| Unwinding of discount on contingent consideration payable (cumulative) | 230,295 |
| Currency translation differences | 17,355 |
| Contingent consideration payable at end of the year | 4,876,179 |

### (ii) Acquisition of SIL Group

| | Group and Company | |
|---|---|---|
| | 2019 RM | 2018 RM |
| Contingent consideration (Note 13(b)) | 233,743,461 | 233,743,461 |
| Unwinding of discount on contingent consideration payable (cumulative) | 24,722,715 | - |
| Fair value changes recognised in profit or loss (cumulative) (Note 5) | (14,839,820) | - |
| Contingent consideration payable at end of the year | 243,626,356 | 233,743,461 |

Other information on financial risks of trade and other payables are disclosed in Note 41.

## 35. Put liability

| | Group |
|---|---|
| | 2019 RM |
| Put liability (Note 13(a)) | 11,939,294 |
| Unwinding of discount on put liability | 594,048 |
| Currency translation differences | 54,890 |
| Put liability at end of the year | 12,588,232 |

This represents the present value of the estimated exercise price for the put option on the remaining 20% equity interest in SIA X Infotech Group. Subsequent changes in the fair value will be recognised in profit or loss.

Other information on financial risks of put liability are disclosed in Note 41.

## 36. Derivative liability

| | Company |
|---|---|
| | 2019 RM |
| Derivative liability at fair value | 1,070,705 |

This represents the fair value of put option over shares in the remaining 20% equity interest in SIA X Infotech Group. Subsequent changes in the fair value will be recognised in profit or loss.

Other information on financial risks of derivative liability are disclosed in Note 41.

## 37. Provision for defined benefit liabilities

The Group has defined benefit pension plans in Indonesia, Thailand and Philippines respectively, for its employees.

### (a) Indonesia plans

(i) A subsidiary in Indonesia provides benefits for its employees who achieve the retirement age at 57 (2018: 56) based on the provisions of Labor Law No.13/2003 dated 25 March 2003. The employee benefits liability is unfunded. The employee benefits liability of this subsidiary was determined by an independent actuarist in its report dated 18 July 2019 for financial year ended 30 June 2019 and 23 July 2018 for financial year ended 30 June 2018.

The principal assumptions used in determining the employee benefits liability of the Indonesia plan are shown below:

**Principal actuarial assumptions:**

| | 2019 | 2018 |
|---|---|---|
| Discount rate | 8.00% | 8.25% |
| Salary increment rate | 10% | 10% |
| Mortality rate | 100% * | 100% * |
| Disability rate | 5% * | 5% * |
| Resignation rate | 8% to age 30, then decreasing linearly to 0% at age 57 | 5% to age 30, then decreasing linearly to 0% at age 56 |

## 37. Provision for defined benefit liabilities (cont'd)

### (a) Indonesia plans (cont'd)

(ii) A subsidiary in Indonesia provides benefits for its employees who achieve the retirement age at 57 (2018: 55) based on the provisions of Labor Law No.13/2003 dated 25 March 2003. The employee benefits liability is unfunded. The employee benefits liability of this subsidiary was determined by an independent actuarist in its report dated 30 June 2019 for financial year ended 30 June 2019 and 12 July 2018 for financial year ended 30 June 2018.

The principal assumptions used in determining the employee benefits liability of the Indonesia plan are shown below:

**Principal actuarial assumptions:**

| | 2019 | 2018 |
|---|---|---|
| Discount rate | 8.75% | 8.50% |
| Salary increment rate | 10% | 10% |
| Mortality rate | 100% * | 100% * |
| Disability rate | 5% * | 5% * |
| Resignation rate | 5% to age 30, then decreasing linearly to 0% at age 57 | 5% to age 30, then decreasing linearly to 0% at age 55 |

* Based on Indonesian Mortality Table 3

### (b) Thailand plan

A subsidiary in Thailand provides benefits for its employees who achieve the retirement age at 60 based on the provisions of Labour Protection Act (A.D. 1998), on Severance Pay. The employee benefits liability is unfunded. The employee benefits liability of this subsidiary was determined by an independent actuarist in its report dated 26 June 2019 for financial year ended 30 June 2019 and 6 July 2018 for financial year ended 30 June 2018.

The principal assumptions used in determining the employee benefits liability of the Thailand plan are shown below:

**Principal actuarial assumptions:**

| | 2019 | 2018 |
|---|---|---|
| Discount rate | 2.50% | 3.30% |
| Salary increment rate | 14% per annum for ages up to 29;<br>7% per annum for ages 30 to 39;<br>3% per annum for ages 40 to 49;<br>0.50% per annum for ages 50 and above | 12% per annum for ages up to 29;<br>6% per annum for ages 30 to 39;<br>3% per annum for ages 40 to 49;<br>0.50% per annum for ages 50 and above |
| Mortality rate | Thailand Mortality Ordinary 2008 Table | Thailand Mortality Ordinary 2008 Table |
| Disability rate | 0% | 0% |
| Resignation rate | 6% per annum for ages up to 29;<br>4% per annum for ages 30 to 39;<br>3% per annum for ages 40 to 49;<br>0% per annum for ages 50 and above | 6% per annum for ages up to 29;<br>4% per annum for ages 30 to 39;<br>1% per annum for ages 40 to 49;<br>0% per annum for ages 50 and above |

## 37. Provision for defined benefit liabilities (cont'd)

### (c) Philippines plans

(i) A subsidiary in Philippines provides benefits for its employees who achieve the retirement age at 60 based on the provisions of the Retirement Pay Law (Republic Act No. 7641). The employee benefits liability is unfunded. The employee benefits liability of this subsidiary was determined by an independent actuarist in its report dated 2 July 2018 for financial years ended 30 June 2019 and 30 June 2018.

The principal assumptions used in determining the employee benefits liability of the Philippines plan are shown below:

**Principal actuarial assumptions:**

| | 2019 | 2018 |
|---|---|---|
| Discount rate | 5.16% | 8.09% |
| Salary increment rate | 10% | 10% |
| Mortality rate | The 2001 CSO Table - Generational (Scale AA, Society of Actuarists) | The 2001 CSO Table - Generational (Scale AA, Society of Actuarists) |
| Disability rate | 0% | 0% |
| Resignation rate | 7.5% per annum for ages 19 to 24;<br>6% per annum for ages 25 to 29;<br>4.5% per annum for ages 30 to 34;<br>3% per annum for ages 35 to 39;<br>2% per annum for ages 40 to 44;<br>0% per annum for ages 45 and above | 7.5% per annum for ages 19 to 24;<br>6% per annum for ages 25 to 29;<br>4.5% per annum for ages 30 to 34;<br>3% per annum for ages 35 to 39;<br>2% per annum for ages 40 to 44;<br>0% per annum for ages 45 and above |

(ii) A subsidiary in Philippines conforms to the minimum regulatory benefit under the Retirement Pay Law (Republic Act No. 7641) and provides retirement benefit equal to 22.5 days pay for every year of credited service for employees who attain the normal retirement age of 60 with at least five years of service. The regulatory benefit is paid in a lump sum upon retirement. The employee benefits liability of this subsidiary was determined by an independent actuarist in its report dated 2 July 2019 for the financial year ended 30 June 2019 and 2 July 2018 for the financial year ended 30 June 2018.

The principal assumptions used in determining the employee benefits liability of the Philippines plan are shown below:

**Principal actuarial assumptions:**

| | 2019 | 2018 |
|---|---|---|
| Discount rate | 5.26% | 8.05% |
| Salary increment rate | 5% | 5% |
| Mortality rate | The 2001 CSO Table - Generational (Scale AA, Society of Actuarists) | The 2001 CSO Table - Generational (Scale AA, Society of Actuarists) |
| Disability rate | 0% | 0% |
| Resignation rate | 12.9% per annum for ages 19 to 24;<br>14.9% per annum for ages 25 to 29;<br>15.0% per annum for ages 30 to 34;<br>12.0% per annum for ages 35 to 39;<br>5.1% per annum for ages 40 to 44;<br>4.1% per annum for ages 45 and above | 17.2% per annum for ages 19 to 24;<br>15.8% per annum for ages 25 to 29;<br>14.2% per annum for ages 30 to 34;<br>12.1% per annum for ages 35 to 39;<br>6.8% per annum for ages 40 to 44;<br>4.6% per annum for ages 45 and above |

## 37. Provision for defined benefit liabilities (cont'd)

The following tables summarise the components of employee benefits expense recognised in the consolidated statement of comprehensive income and the amounts recognised in the statements of financial position as employee benefits liabilities.

**The details of the net employee benefits liability are as follows:**

| | Group | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | | | | 2018 | | | |
| | Indonesia Plans RM | Thailand Plan RM | Philippines Plans RM | Total RM | Indonesia Plans RM | Thailand Plan RM | Philippines Plans RM | Total RM |
| Present Value of the Defined Benefit Obligation ("PVDBO") as at 1 July | 3,050,418 | 2,239,438 | 1,874,669 | 7,164,525 | 3,573,945 | 1,784,121 | 2,787,363 | 8,145,429 |
| Defined benefit obligation (Note 8) | 309,504 | 930,168 | 394,543 | 1,634,215 | 382,032 | 162,320 | 342,334 | 886,686 |
| Benefits paid | (34,517) | (234,784) | - | (269,301) | (179,450) | - | - | (179,450) |
| Gross amount of actuarial (gain)/loss | (272,132) | (35,382) | 1,590,520 | 1,283,006 | (284,851) | 367,018 | (983,440) | (901,273) |
| Currency translation differences | 108,944 | 268,148 | 204,981 | 582,073 | (441,258) | (74,021) | (271,588) | (786,867) |
| PVDBO as at 30 June | 3,162,217 | 3,167,588 | 4,064,713 | 10,394,518 | 3,050,418 | 2,239,438 | 1,874,669 | 7,164,525 |
| **Analysis of funded and unfunded PVDBO** | | | | | | | | |
| PVDBO from plans that are wholly unfunded | 3,162,217 | 3,167,588 | 4,064,713 | 10,394,518 | 3,050,418 | 2,239,438 | 1,874,669 | 7,164,525 |
| Analysed as: | | | | | | | | |
| **Current** | - | 92,338 | - | 92,338 | 33,423 | 224,848 | - | 258,271 |
| **Non-current:** | | | | | | | | |
| Later than: | | | | | | | | |
| - one year but not later than two years | 136,174 | 343,872 | - | 480,046 | 121,122 | 81,259 | - | 202,381 |
| - two years but not later than five years | 203,404 | - | - | 203,404 | 177,500 | 249,121 | - | 426,621 |
| - five years | 2,822,639 | 2,731,378 | 4,064,713 | 9,618,730 | 2,718,373 | 1,684,210 | 1,874,669 | 6,277,252 |
| Total non-current | 3,162,217 | 3,075,250 | 4,064,713 | 10,302,180 | 3,016,995 | 2,014,590 | 1,874,669 | 6,906,254 |
| | 3,162,217 | 3,167,588 | 4,064,713 | 10,394,518 | 3,050,418 | 2,239,438 | 1,874,669 | 7,164,525 |

## 37. Provision for defined benefit liabilities (cont'd)

The following tables summarise the components of employee benefits expense recognised in the consolidated statement of comprehensive income and the amounts recognised in the statements of financial position as employee benefits liabilities. (cont'd)

**The details of net employee benefits expense recognised in operations are as follows:**

| | Group | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | | | | 2018 | | | |
| | Indonesia Plans RM | Thailand Plan RM | Philippines Plans RM | Total RM | Indonesia Plans RM | Thailand Plan RM | Philippines Plans RM | Total RM |
| Current service cost | 418,055 | 165,316 | 225,583 | 808,954 | 473,771 | 106,774 | 211,395 | 791,940 |
| Past service cost | (362,032) | 692,548 | - | 330,516 | (329,285) | - | - | (329,285) |
| Interest cost | 253,481 | 72,304 | 168,960 | 494,745 | 237,546 | 55,546 | 130,939 | 424,031 |
| Net employee benefits expense (Note 8) | 309,504 | 930,168 | 394,543 | 1,634,215 | 382,032 | 162,320 | 342,334 | 886,686 |
| **Total amount recognised in statement of comprehensive income** | | | | | | | | |
| Actuarial loss/(gain) arising from changes in financial assumptions | 44,748 | 201,399 | 1,093,695 | 1,339,842 | (334,997) | 214,327 | (1,190,332) | (1,311,002) |
| Actuarial (gain)/loss arising from changes in demographic assumptions | (344,970) | (114,946) | 200,853 | (259,063) | - | 43,950 | 128,190 | 172,140 |
| Actuarial loss/(gain) arising from experience adjustments | 28,090 | (121,835) | 295,972 | 202,227 | 50,146 | 108,741 | 78,702 | 237,589 |
| Gross amount of actuarial (gain)/loss | (272,132) | (35,382) | 1,590,520 | 1,283,006 | (284,851) | 367,018 | (983,440) | (901,273) |
| Deferred tax (Note 33) | 68,033 | 7,077 | (370,658) | (295,548) | 71,213 | (73,404) | 186,355 | 184,164 |
| Net amount of actuarial (gain)/loss | (204,099) | (28,305) | 1,219,862 | 987,458 | (213,638) | 293,614 | (797,085) | (717,109) |
| Cumulative amount of actuarial (gain)/loss recognised in statement of comprehensive income | (171,237) | 658,908 | (1,972,545) | (1,484,874) | 32,862 | 687,213 | (3,192,407) | (2,472,332) |

## 37. Provision for defined benefit liabilities (cont'd)

**Sensitivity analysis:**

The sensitivity analysis below have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

**Discount rate**
A one percentage point change in the assumed discount rate would have the following effects:

| | Increase in one percentage point on discount rate | | | | Decrease in one percentage point on discount rate | | | |
|---|---|---|---|---|---|---|---|---|
| | Indonesia Plans RM | Thailand Plan RM | Philippines Plans RM | Total RM | Indonesia Plans RM | Thailand Plan RM | Philippines Plans RM | Total RM |
| **2019** | | | | | | | | |
| Effect on the aggregate current service cost and interest cost | (341,995) | (309,576) | (514,323) | (1,165,894) | 399,463 | 363,459 | 606,993 | 1,369,915 |
| Effect on the PVDBO as at 30 June | (341,995) | (327,044) | (532,740) | (1,201,779) | 399,463 | 383,968 | 628,726 | 1,412,157 |
| **2018** | | | | | | | | |
| Effect on the aggregate current service cost and interest cost | (347,267) | (231,567) | (263,532) | (842,366) | 404,926 | 273,790 | 311,437 | 990,153 |
| Effect on the PVDBO as at 30 June | (324,116) | (225,119) | (249,662) | (798,897) | 377,931 | 266,167 | 295,045 | 939,143 |

## 37. Provision for defined benefit liabilities (cont'd)

**Sensitivity analysis: (cont'd)**

The sensitivity analysis below have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another. (cont'd)

**Salary increment rate**
A one percentage point change in the assumed salary increment rate would have the following effects:

| | Increase in one percentage point on salary increment rate | | | | Decrease in one percentage point on salary increment rate | | | |
|---|---|---|---|---|---|---|---|---|
| | Indonesia Plans RM | Thailand Plan RM | Philippines Plans RM | Total RM | Indonesia Plans RM | Thailand Plan RM | Philippines Plans RM | Total RM |
| **2019** | | | | | | | | |
| Effect on the aggregate current service cost and interest cost | 389,452 | 363,147 | 598,526 | 1,351,125 | (340,019) | (315,438) | (517,149) | (1,172,606) |
| Effect on the PVDBO as at 30 June | 389,452 | 383,638 | 619,957 | 1,393,047 | (340,019) | (333,237) | (535,666) | (1,208,922) |
| **2018** | | | | | | | | |
| Effect on the aggregate current service cost and interest cost | 394,750 | 275,767 | 291,078 | 961,595 | (345,273) | (161,180) | (252,694) | (759,147) |
| Effect on the PVDBO as at 30 June | 368,434 | 268,088 | 275,759 | 912,281 | (322,254) | (156,692) | (239,394) | (718,340) |

Amounts for the current and previous periods are as follows:

| | Indonesia Plans | | Thailand Plan | | Philippines Plans | |
|---|---|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| PVDBO | 3,162,217 | 3,050,418 | 3,167,588 | 2,239,438 | 4,064,713 | 1,874,669 |
| Experience adjustments on plan liabilities | 28,090 | 46,803 | (128,710) | 105,713 | 306,569 | 74,560 |

## 38. Dividends

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Dividend per share SGD/RM | Amount of dividend RM | Dividend per share SGD/RM | Amount of dividend RM |
| **Declared and paid/payable during the financial year:** | | | | |
| Dividends on ordinary shares: | | | | |
| In respect of financial year ended 30 June 2017: | | | | |
| - Special interim dividend paid per share, tax exempt (1-tier) | - | - | 0.0130 / 0.0406 | 107,339,936 |
| - Final and special dividends paid per share, tax exempt (1-tier) | - | - | 0.0130 / 0.0404 | 106,823,845 |
| In respect of financial year ended 30 June 2018: | | | | |
| - First interim and special dividends paid per share, tax exempt (1-tier) | - | - | 0.0080 / 0.0243 | 63,787,090 |
| - Second interim and special dividends paid per share, tax exempt (1-tier) | - | - | 0.0110 / 0.0326 | 84,816,271 |
| - Third interim dividend paid per share, tax exempt (1-tier) | - | - | 0.0030 / 0.0089 | 23,757,392 |
| - Final and special dividends paid per share, tax exempt (1-tier) | 0.0080 / 0.0242 | 64,027,141 | - | - |
| In respect of financial year ended 30 June 2019: | | | | |
| - First interim dividend paid per share, tax exempt (1-tier) | 0.0030 / 0.0092 | 24,252,584 | - | - |
| - Second interim dividend paid per share, tax exempt (1-tier) | 0.0040 / 0.0120 | 31,867,596 | - | - |
| - Third interim dividend paid per share, tax exempt (1-tier) | 0.0040 / 0.0122 | 32,264,353 | - | - |
| | | 152,411,674 | | 386,524,534 |
| **Proposed but not recognised as a liability as at 30 June:** | | | | |
| Dividends on ordinary shares, subject to shareholders' approval at the AGM: | | | | |
| - Final dividend | 0.0070 / 0.0214 | 56,675,545 | 0.0030 / 0.0089 | 23,585,642 |
| - Special dividend | - | - | 0.0050 / 0.0148 | 39,309,403 |
| | | 56,675,545 | | 62,895,045 |

## 39. Significant related party transactions

### (a) Sale and purchase of goods and services

The Group has the following significant related party transactions between the Group and the related parties, who are not members of the Group, which took place on terms agreed between the parties during the financial year:

| | Group | |
|---|---|---|
| | 2019 RM | 2018 RM |
| Sale of goods and rendering of services to related parties: | | |
| - Software licensing | 53,045,057 | 10,025,140 |
| - Software project services | 54,228,501 | 10,542,308 |
| - Maintenance and enhancement services | 22,544,841 | 21,324,239 |
| - Sale of hardware products | 1,205,801 | 4,328,210 |
| Service fees paid to related parties | 19,513,592 | 31,774,062 |
| Accounting and administrative expenses paid to related parties | 2,411,536 | 2,254,536 |
| Other costs reimbursed from related parties | 151,577 | 622,437 |
| Rental paid to related parties | 248,023 | 551,112 |
| Rental paid by related parties | 292,819 | 357,082 |
| Purchase of property, plant and equipment from a related party | 218,888 | - |
| Interest on receivables charged to related parties | 6,793 | - |

Information regarding outstanding balances arising from related party transactions as at reporting date are disclosed in Note 21.

The parent
There were no transactions other than dividends paid, between the Group and Intelligentsia Holding Ltd. during the financial year (2018: Nil).

### (b) Compensation of key management personnel

| | Group | |
|---|---|---|
| | 2019 RM | 2018 RM |
| Salaries and other short-term employee benefits | 20,348,481 | 15,195,835 |
| Performance shares plan (Note 28(d)) | 820,064 | 1,271,254 |
| Defined contribution plans | 1,111,437 | 794,045 |
| Benefits-in-kind | 212,855 | 163,862 |
| | 22,492,837 | 17,424,996 |
| *Comprise amounts paid to:* | | |
| - Directors of the Company | 7,618,870 | 6,521,665 |
| - Other key management personnel | 14,873,967 | 10,903,331 |
| | 22,492,837 | 17,424,996 |

## 40. Commitments and contingencies

### (a) Capital commitments

There is no significant capital commitment as at financial year end.

### (b) Operating lease commitments - Group as lessee

The Group leases certain land and building under non-cancellable lease agreements with varying terms and renewal rights. There are no restrictions placed upon the Group and the Company as a result of entering into these leases. Operating lease payments recognised in the income statement during the financial year amounted to RM11,110,100 (2018: RM9,315,883) (Note 7).

Future minimum rental under non-cancellable operating leases at the reporting date are as follows:

| | Group | |
|---|---|---|
| | 2019 RM | 2018 RM |
| Not later than one year | 7,862,147 | 4,222,524 |
| Later than one year but not later than five years | 12,897,841 | 5,337,067 |
| Later than five years but not later than seven years | 2,538,862 | 7,102 |
| | 23,298,850 | 9,566,693 |

### (c) Finance lease commitments

The Group has finance leases for its intangible assets (Note 12), motor vehicles and office equipment (Note 11).

Future minimum lease payment under finance leases together with the present value of net minimum lease payments are disclosed in Note 32.

### (d) Guarantees

At the reporting date, the Group has provided bank guarantees to third parties amounting to RM24,910,948 (2018: RM22,250,548). No liability is expected to arise.

At the reporting date, the Company has provided corporate guarantee to its subsidiaries amounting to RM177,731,500 (2018: RM165,003,438). No liability is expected to arise.

## 41. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, liquidity risk, credit risk and foreign currency risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks. The Audit and Risk Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial years, the Group's policy that no derivatives shall be undertaken except for the use as hedging instrument where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

### (a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of the changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings with floating interest rate. The Group's policy is to manage its interest costs by obtaining the most favourable interest rates on its borrowings.

Surplus funds of the Group are placed with licensed banks as deposits to generate interest income. The Group has no significant net exposure to interest rate risk.

Sensitivity analysis for interest rate risk
The Group's revolving credit at variable rate were denominated in Singapore Dollar (SGD) and United States Dollar (USD). At the reporting date, assuming the market interest rate increases/decreases by 1% with other variables including tax rate being held constant, the Group's profit before tax for the financial year would have been lower/higher by RM599,479 (2018: RM207,200) arising mainly as a result of higher/lower interest expense on these revolving credit.

The Group's overdraft at variable rate was denominated in Ringgit Malaysia (RM). At the reporting date, assuming the market interest rate increases/decreases by 1% with other variables including tax rate being held constant, the Group's profit before tax for the financial year would have been lower/higher by RM99,366 (2018: RM32,675) arising mainly as a result of higher/lower interest expense on this bank overdraft.

The Group's term loan at variable rate was denominated in Euro. At the reporting date, assuming the market interest rate increases/decreases by 1% with other variables including tax rate being held constant, the Group's profit before tax for the financial year would have been lower/higher by RM9,509 (2018: Nil) arising mainly as a result of higher/lower interest expense on this term loan.

The assumed fluctuation in market interest rate sensitivity analysis is based on the observable market environment.

### (b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. There is no significant exposure to liquidity risk. The Group actively manages its operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. The Group maintains sufficient levels of cash and cash equivalents to meet its working capital requirements. The Group's liquidity risk management policy is to match maturities of financial assets and liabilities, and to maintain available banking facilities of a reasonable level to its overall debt position.

## 41. Financial risk management objectives and policies (cont'd)

### (b) Liquidity risk (cont'd)

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the reporting date based on contracted undiscounted repayment obligations.

| | Less than 1 year RM | Between 1 and 5 years RM | Over 5 years RM | Total RM |
|---|---|---|---|---|
| **Group** | | | | |
| **At 30 June 2019** | | | | |
| Trade and other payables | 70,666,634 | 289,004,492 | - | 359,671,126 |
| Put liability | - | 17,833,675 | - | 17,833,675 |
| Amounts due to related parties (Note 21) | 2,793,107 | - | - | 2,793,107 |
| Revolving credit | - | 65,066,262 | - | 65,066,262 |
| Bank overdraft (Note 31) | 9,936,642 | - | - | 9,936,642 |
| Term loan | 257,655 | 772,964 | - | 1,030,619 |
| Obligations under finance leases (Note 32) | 1,289,638 | 2,426,629 | 173,991 | 3,890,258 |
| | 84,943,676 | 375,104,022 | 173,991 | 460,221,689 |
| **At 30 June 2018** | | | | |
| Trade and other payables | 50,065,205 | 289,938,385 | - | 340,003,590 |
| Amount due to holding company (Note 21) | 213,120 | - | - | 213,120 |
| Amounts due to related parties (Note 21) | 2,510,141 | - | - | 2,510,141 |
| Revolving credit (Note 31) | 20,720,000 | - | - | 20,720,000 |
| Bank overdraft (Note 31) | 3,267,477 | - | - | 3,267,477 |
| Obligations under finance leases (Note 32) | 1,522,381 | 2,994,847 | 194,885 | 4,712,113 |
| | 78,298,324 | 292,933,232 | 194,885 | 371,426,441 |
| **Company** | | | | |
| **At 30 June 2019** | | | | |
| Trade and other payables | 1,788,896 | 289,004,492 | - | 290,793,388 |
| Derivative liability (Note 36) | - | 1,070,705 | - | 1,070,705 |
| Amounts due to subsidiaries (Note 21) | 1,538,309 | - | - | 1,538,309 |
| Revolving credit | - | 65,066,262 | - | 65,066,262 |
| | 3,327,205 | 355,141,459 | - | 358,468,664 |
| **At 30 June 2018** | | | | |
| Trade and other payables | 1,944,126 | 289,938,385 | - | 291,882,511 |
| Amounts due to subsidiaries (Note 21) | 623,728 | - | - | 623,728 |
| Revolving credit (Note 31) | 20,720,000 | - | - | 20,720,000 |
| | 23,287,854 | 289,938,385 | - | 313,226,239 |

## 41. Financial risk management objectives and policies (cont'd)

### (c) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables, contract assets, advances to a joint venture and amounts due from related parties. For other financial assets (including cash and cash equivalents), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

**Exposure to credit risk profile**
As at reporting date, the Group has a significant concentration of credit risk in the form of outstanding balances due from 10 (2018: 12) customers, representing 54% (2018: 65%) of the Group's trade receivables and amounts due from related parties (trade).

**Trade receivables and contract assets**
The Group monitors its credit risk closely and trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group does not expect its related parties to default on their repayment obligations.

**Other receivables**
Credit risks on other receivables are mainly arising from deposits paid for office buildings and fixtures rented. These deposits will be received at the end of each lease terms. The Group manages the credit risk together with the leasing arrangement.

At the reporting date, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position and the Group did not recognise any expected credit loss.

**Cash and bank balances and money market fund**
Cash and deposits are placed with reputable licensed banks. At the reporting date, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

These reputable licensed banks have low credit risks. In addition, some of the bank balances are insured by government agencies. Accordingly, the Group and the Company are of the view that the expected credit loss is minimal.

**Advances to a joint venture and loans to subsidiaries**
Advances are made to a joint venture and loans to subsidiaries in support of their respective principal activities. At the reporting date, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

## 41. Financial risk management objectives and policies (cont'd)

### (c) Credit risk (cont'd)

**Credit risk concentration profile**

The Group determines concentrations of credit risk by monitoring the region of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's net trade receivables at the reporting date is as follows:

| | Group | | | |
|---|---|---|---|---|
| | 2019 RM | % | 2018 RM | % |
| **By geographical areas** | | | | |
| South East Asia | 87,771,039 | 61% | 139,000,595 | 77% |
| North East Asia | 20,473,007 | 14% | 13,437,798 | 7% |
| South Asia | 21,666,659 | 15% | 19,708,854 | 11% |
| Middle East | 3,021,096 | 2% | 5,207,262 | 3% |
| Americas | 1,086,267 | 1% | - | - |
| Africa | 5,139,686 | 4% | 2,148,607 | 1% |
| Europe | 4,146,976 | 3% | 2,377,230 | 1% |
| | 143,304,730 | 100% | 181,880,346 | 100% |

| | Group | |
|---|---|---|
| | 2019 RM | 2018 RM |
| Represented by: | | |
| Trade receivables - third parties (Note 19) | 125,981,615 | 131,975,956 |
| Amounts due from related parties - trade (Note 21) | 17,323,115 | 49,904,390 |
| | 143,304,730 | 181,880,346 |

An impairment analysis is performed at the reporting date using a provision matrix to measure expected credit losses ("ECLs"). The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e. by geographical region). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables past due more than one year are subjected to further assessment for impairment and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 19.

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted.

At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is an estimate. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work-in-progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

## 41. Financial risk management objectives and policies (cont'd)

### (c) Credit risk (cont'd)

**Credit risk concentration profile (cont'd)**

Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix:

| Group | Expected credit loss rate % | Gross carrying amount Trade receivables (including related parties) RM | Contract assets RM | Expected credit losses (collectively assessed) RM | Expected credit losses (individually assessed) RM | Net balance RM |
|---|---|---|---|---|---|---|
| **2019** | | | | | | |
| Current | 0.05% | 75,648,840 | 57,581,959 | 64,461 | - | 133,166,338 |
| Past due 0 to 1 month | 0.10% | 22,096,840 | - | 21,477 | - | 22,075,363 |
| Past due 1 to 2 months | 0.26% | 18,174,763 | - | 46,473 | - | 18,128,290 |
| Past due 2 to 3 months | 0.69% | 5,724,672 | - | 39,745 | - | 5,684,927 |
| Past due 3 to 6 months | 0.81% | 15,064,212 | - | 122,456 | - | 14,941,756 |
| Past due over 6 months | 60.51% | 17,361,469 | - | 628,363 | 9,877,610 | 6,855,496 |
| | | 154,070,796 | 57,581,959 | 922,975 | 9,877,610 | 200,852,170 |

The movement of the loss allowance accounts used to record the impairment are as follows:

| Group 2019 | Expected credit losses (collectively assessed) RM | Expected credit losses (individually assessed) RM | Total RM |
|---|---|---|---|
| **Trade receivables, including related parties** | | | |
| At beginning of the year, as per IAS 39 | - | 3,140,800 | 3,140,800 |
| Acquisition of subsidiaries (Note 13) | 451,679 | 3,266,343 | 3,718,022 |
| Charge for the year (Note 7) | 434,224 | 3,689,735 | 4,123,959 |
| Reversal (Note 5) | - | (190,061) | (190,061) |
| Currency translation differences | 2,553 | (29,207) | (26,654) |
| At end of the year (Note 19) | 888,456 | 9,877,610 | 10,766,066 |

| Group 2019 | Expected credit losses (collectively assessed) RM |
|---|---|
| **Contract assets** | |
| At beginning of the year, as per IAS 39 | - |
| Acquisition of subsidiaries | 2,043 |
| Charge for the year (Note 7) | 31,676 |
| Currency translation differences | 800 |
| At end of the year (Note 20) | 34,519 |

## 41. Financial risk management objectives and policies (cont'd)

### (c) Credit risk (cont'd)

**Comparatives information under IAS 39 Financial Instruments: Recognition and Measurement**

**Financial assets that are neither past due nor impaired**

Trade and other receivables, advances to a joint venture and amounts due from related parties amounting to RM152,492,257 that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents that are neither past due nor impaired are placed with or entered with reputable licensed banks with high credit ratings and no history of default.

**Financial assets that are past due but not impaired**

The Group has trade receivables amounting to RM68,729,529 that are past due at the reporting date but not impaired. These receivables are unsecured and the analysis of their aging at the reporting date is as follows:

| | Group |
|---|---|
| | 2018<br>RM |
| Past due 0 to 2 months (31 - 90 days) | 22,988,523 |
| Past due 2 to 5 months (91 - 180 days) | 23,247,270 |
| Past due over 5 months (>180 days) | 22,493,736 |
| | 68,729,529 |

**Financial assets that are impaired**

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

| | Group |
|---|---|
| | 2018<br>RM |
| Individually impaired | |
| Trade receivables, nominal amounts | 3,140,800 |
| Less: Allowance for impairment | (3,140,800) |
| | - |
| At beginning of the year | 2,229,929 |
| Charge for the year (Note 7) | 1,986,010 |
| Reversal (Note 5) | (1,022,689) |
| Currency translation differences | (52,450) |
| At end of the year (Note 19) | 3,140,800 |

**Other receivables**

Credit risks on other receivables are mainly arising from deposits paid for office buildings and fixtures rented. These deposits will be received at the end of each lease terms. The Group manages the credit risk together with the leasing arrangement.

At the reporting date, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position and the Group did not recognise any loss allowance.

## 41. Financial risk management objectives and policies (cont'd)

### (c) Credit risk (cont'd)

**Comparatives information under IAS 39 Financial Instruments: Recognition and Measurement (cont'd)**

**Cash and bank balances and money market fund**
Cash and deposits are placed with reputable licensed banks. At the reporting date, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

These reputable licensed banks have low credit risks. In addition, some of the bank balances are insured by government agencies. Accordingly, the Group and the Company are of the view that the loss allowance is not required and not provided for.

**Advances to a joint venture and loans to subsidiaries**
Advances are made to a joint venture and loans to subsidiaries in support of their respective principal activities. At the reporting date, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

### (d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group entities. The companies in the Group primarily transact in their respective functional currencies. The Group's business is exposed to foreign exchange risk arising from various currency exposures primarily with respect to sales and operating expenses denominated mainly in Singapore Dollar (SGD), United States Dollar (USD) and Thailand Baht (Baht).

The Group holds short-term deposits denominated in SGD, USD, Baht, Brunei Dollar (BND), Indonesia Rupiah (IDR), Philippine Peso (PESO) and Chinese Renminbi (RMB) which also give rise to foreign currency exposure. The Group is also exposed to currency translation risk arising from its net investments in foreign operations whose functional currencies are not in Ringgit Malaysia (RM). The Company's net investments in foreign operations are not hedged as currency positions of the respective companies are considered to be long-term in nature.

At the reporting date, the Group does not hedge its foreign currency exposure using any financial instruments. However, the management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arises.

## 41. Financial risk management objectives and policies (cont'd)

### (d) Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's and the Company's profit net of tax and equity to a reasonably possible change in the SGD, USD, Baht, BND, IDR, New Zealand Dollar (NZD) and RMB exchange rates against the respective functional currencies of the Group entities and the Company, with all other variables including tax rate being held constant.

| | Group | | | |
|---|---|---|---|---|
| | Profit net of tax | | Equity | |
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| SGD/RM | | | | |
| - strengthened by 3% (2018: 5%) | 3,851,659 | 5,487,111 | 4,908,578 | 7,048,321 |
| - weakened by 3% (2018: 5%) | (3,851,659) | (5,487,111) | (4,908,578) | (7,048,321) |
| USD/RM | | | | |
| - strengthened by 3% (2018: 6%) | 2,921,437 | 6,033,554 | 6,680,696 | 13,614,450 |
| - weakened by 3% (2018: 6%) | (2,921,437) | (6,033,554) | (6,680,696) | (13,614,450) |
| Baht/RM | | | | |
| - strengthened by 10% (2018: 3%) | 1,044,700 | 82,582 | 2,747,115 | 516,420 |
| - weakened by 10% (2018: 3%) | (1,044,700) | (82,582) | (2,747,115) | (516,420) |
| BND/RM | | | | |
| - strengthened by 3% (2018: 5%) | 562,746 | 869,278 | 989,618 | 1,552,870 |
| - weakened by 3% (2018: 5%) | (562,746) | (869,278) | (989,618) | (1,552,870) |
| IDR/RM | | | | |
| - strengthened by 4% (2018: 13%) | 946,128 | 1,677,419 | 1,705,188 | 3,111,765 |
| - weakened by 4% (2018: 13%) | (946,128) | (1,677,419) | (1,705,188) | (3,111,765) |
| NZD/RM | | | | |
| - strengthened by 2% (2018: 13%) | 656,173 | 4,190,163 | 656,173 | 4,190,163 |
| - weakened by 2% (2018: 13%) | (656,173) | (4,190,163) | (656,173) | (4,190,163) |
| RMB/RM | | | | |
| - strengthened by 1% (2018: 4%) | 1,809,516 | 9,675,169 | 1,809,516 | 9,675,169 |
| - weakened by 1% (2018: 4%) | (1,809,516) | (9,675,169) | (1,809,516) | (9,675,169) |

| | Company | | | |
|---|---|---|---|---|
| | Profit net of tax | | Equity | |
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| SGD/RM | | | | |
| - strengthened by 3% (2018: 5%) | 1,702,850 | 3,265,270 | 1,702,850 | 3,265,270 |
| - weakened by 3% (2018: 5%) | (1,702,850) | (3,265,270) | (1,702,850) | (3,265,270) |
| USD/RM | | | | |
| - strengthened by 3% (2018: 6%) | (1,029,779) | 14,060 | (1,029,779) | 14,060 |
| - weakened by 3% (2018: 6%) | 1,029,779 | (14,060) | 1,029,779 | (14,060) |
| NZD/RM | | | | |
| - strengthened by 2% (2018: 13%) | 322,593 | 3,022,243 | 322,593 | 3,022,243 |
| - weakened by 2% (2018: 13%) | (322,593) | (3,022,243) | (322,593) | (3,022,243) |

## 41. Financial risk management objectives and policies (cont'd)

### (d) Foreign currency risk (cont'd)

The Group's currency exposure is as follows:

| At 30 June 2019 | Ringgit Malaysia RM | Singapore Dollar RM | United States Dollar RM | Philippine Peso RM | Chinese Renminbi RM | Japanese Yen RM | Thailand Baht RM | Brunei Dollar RM | Indonesia Rupiah RM | New Zealand Dollar RM | British Pound RM | Euro RM | Hong Kong Dollar RM | Others RM | Total RM |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | | | | | | | | | |
| Financial assets at fair value through other comprehensive income - quoted equity shares | - | - | - | - | 172,099,864 | - | - | - | - | - | - | - | - | - | 172,099,864 |
| Financial assets at fair value through profit or loss - money market fund | 8,879,131 | - | - | - | - | - | - | - | - | - | - | - | - | - | 8,879,131 |
| Cash and bank balances | 142,056,623 | 147,264,398 | 85,661,819 | 3,054,410 | 3,663,680 | 3,847,767 | 11,733,035 | 17,128,379 | 18,117,764 | - | - | 7,295,847 | 450,218 | 1,723,204 | 441,997,144 |
| Trade receivables | 30,371,464 | 9,402,938 | 46,299,286 | 168,558 | 9,795,831 | 497,510 | 12,621,959 | 2,138,721 | 6,304,972 | - | 12,010 | 4,675,060 | 109,961 | 3,583,345 | 125,981,615 |
| Other receivables | 2,856,695 | 836,069 | 234,417 | 1,025,649 | 2,900 | 695,117 | 458,908 | 36,610 | 81,148 | 141,702 | - | 1,707,486 | 70,535 | 193,125 | 8,340,361 |
| Amounts due from related parties | 9,942,555 | 78,349 | 3,755,847 | - | - | - | 2,168,076 | 11,901 | - | - | - | - | 1,516,658 | - | 17,473,386 |
| Advances to a joint venture | - | - | - | - | - | - | - | - | - | 32,688,469 | - | - | - | - | 32,688,469 |
| Derivative asset | - | - | - | - | - | - | - | - | - | - | - | 9,366,693 | - | - | 9,366,693 |
| | 194,106,468 | 157,581,754 | 135,951,369 | 4,248,617 | 185,562,275 | 5,040,394 | 26,981,978 | 19,315,611 | 24,503,884 | 32,830,171 | 12,010 | 23,045,086 | 2,147,372 | 5,499,674 | 816,826,663 |
| **Financial liabilities** | | | | | | | | | | | | | | | |
| Loans and borrowings | 12,422,644 | 24,603,809 | 35,735,384 | - | - | 600,224 | - | - | - | - | - | 1,048,794 | - | - | 74,410,855 |
| Trade payables | 6,362,508 | 290,983 | 2,594,295 | 14,401 | - | 68,486 | 14,259,609 | 29,311 | - | - | - | 2,856,653 | 93,059 | 53,025 | 26,622,330 |
| Other payables | 264,750,606 | 4,270,115 | 240,447 | 1,700,293 | 4,610,657 | 778,056 | 1,867,758 | 527,600 | 819,847 | 21,541 | 4,686 | 10,212,381 | 191,509 | 2,551,343 | 292,546,839 |
| Amounts due to related parties | 1,434,462 | 28,199 | - | 269,528 | - | 621,956 | 407,612 | 503 | 30,847 | - | - | - | - | - | 2,793,107 |
| Put liability | - | - | - | - | - | - | - | - | - | - | - | 12,588,232 | - | - | 12,588,232 |
| | 284,970,220 | 29,193,106 | 38,570,126 | 1,984,222 | 4,610,657 | 2,068,722 | 16,534,979 | 557,414 | 850,694 | 21,541 | 4,686 | 26,706,060 | 284,568 | 2,604,368 | 408,961,363 |
| **Net financial (liabilities)/assets** | (90,863,752) | 128,388,648 | 97,381,243 | 2,264,395 | 180,951,618 | 2,971,672 | 10,446,999 | 18,758,197 | 23,653,190 | 32,808,630 | 7,324 | (3,660,974) | 1,862,804 | 2,895,306 | 407,865,300 |
| Less: Net financial position denominated in the respective entities functional currencies | 90,478,601 | (38,361,423) | (39,229,743) | (2,264,403) | - | (3,012,200) | 2,999,132 | (18,312,708) | (23,604,048) | (16,679,000) | - | 8,013,108 | (393,048) | (3,029,946) | (43,395,678) |
| **Currency exposure** | (385,151) | 90,027,225 | 58,151,500 | (8) | 180,951,618 | (40,528) | 13,446,131 | 445,489 | 49,142 | 16,129,630 | 7,324 | 4,352,134 | 1,469,756 | (134,640) | 364,469,622 |

## 41. Financial risk management objectives and policies (cont'd)

### (d) Foreign currency risk (cont'd)

The Group's currency exposure is as follows: (cont'd)

| At 30 June 2018 | Ringgit Malaysia RM | Singapore Dollar RM | United States Dollar RM | Philippine Peso RM | Chinese Renminbi RM | Japanese Yen RM | Thailand Baht RM | Brunei Dollar RM | Indonesia Rupiah RM | New Zealand Dollar RM | British Pound RM | Euro RM | Hong Kong Dollar RM | Others RM | Total RM |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | | | | | | | | | |
| Available-for-sale financial assets | | | | | | | | | | | | | | | |
| - quoted equity shares | - | - | - | - | 189,780,204 | - | - | - | - | - | - | - | - | - | 189,780,204 |
| - money market fund | 4,559,997 | - | - | - | - | - | - | - | - | - | - | - | - | - | 4,559,997 |
| Cash and bank balances | 60,489,430 | 118,829,109 | 50,605,551 | 4,036,582 | 31,797,929 | 5,007,083 | 9,009,388 | 14,950,785 | 6,755,147 | - | - | 1,848,624 | 58,184 | 654,624 | 304,042,436 |
| Trade receivables | 36,707,330 | 16,410,632 | 50,545,512 | 195,006 | 9,046,761 | 1,754,777 | 7,267,949 | 2,716,161 | 6,908,345 | - | 89,320 | 242,522 | 47,382 | 44,259 | 131,975,956 |
| Other receivables | 2,759,369 | 1,194,894 | 316,290 | 973,796 | 82,619 | 658,979 | 442,297 | 36,349 | 82,555 | 139,459 | - | 323,758 | 16,810 | 98,468 | 7,125,643 |
| Amounts due from related parties | 37,816,146 | 67,160 | 14,013 | - | 11,689,180 | - | 405,093 | 35,894 | - | - | - | - | - | - | 50,027,486 |
| Advances to a joint venture | - | - | - | - | - | - | - | - | - | 32,092,701 | - | - | - | - | 32,092,701 |
| | 142,332,272 | 136,501,795 | 101,481,366 | 5,205,384 | 242,396,693 | 7,420,839 | 17,124,727 | 17,739,189 | 13,746,047 | 32,232,160 | 89,320 | 2,414,904 | 122,376 | 797,351 | 719,604,423 |
| **Financial liabilities** | | | | | | | | | | | | | | | |
| Loans and borrowings | 6,335,705 | 20,823,741 | - | - | - | 1,130,166 | - | - | - | - | - | - | - | - | 28,289,612 |
| Trade payables | 6,347,964 | 1,312,127 | 642,847 | - | - | 516,196 | 11,835,004 | - | 146,986 | - | - | - | - | - | 20,801,124 |
| Other payables | 250,007,910 | 4,399,001 | 279,284 | 1,482,764 | 517,459 | 1,171,735 | 2,162,698 | 296,813 | 556,480 | 139 | 149,908 | 1,479,922 | 174,198 | 329,231 | 263,007,542 |
| Amount due to holding company | - | 213,120 | - | - | - | - | - | - | - | - | - | - | - | - | 213,120 |
| Amounts due to related parties | 1,149,880 | 11,593 | - | 266,195 | - | 512,001 | 374,292 | 56,824 | 139,356 | - | - | - | - | - | 2,510,141 |
| | 263,841,459 | 26,759,582 | 922,131 | 1,748,959 | 517,459 | 3,330,098 | 14,371,994 | 353,637 | 842,822 | 139 | 149,908 | 1,479,922 | 174,198 | 329,231 | 314,821,539 |
| **Net financial (liabilities)/assets** | (121,509,187) | 109,742,213 | 100,559,235 | 3,456,425 | 241,879,234 | 4,090,741 | 2,752,733 | 17,385,552 | 12,903,225 | 32,232,021 | (60,588) | 934,982 | (51,822) | 468,120 | 404,782,884 |
| Less: Net financial position denominated in the respective entities functional currencies | 121,138,439 | (32,063,383) | (33,748,992) | (3,456,425) | - | (4,010,801) | 31,932,907 | (16,461,324) | (12,758,136) | (8,984,000) | 23,149 | (1,030,181) | 79,542 | (465,226) | 40,195,569 |
| **Currency exposure** | (370,748) | 77,678,830 | 66,810,243 | - | 241,879,234 | 79,940 | 34,685,640 | 924,228 | 145,089 | 23,248,021 | (37,439) | (95,199) | 27,720 | 2,894 | 444,978,453 |

## 41. Financial risk management objectives and policies (cont'd)

### (d) Foreign currency risk (cont'd)

The Company's currency exposure is as follows:

| At 30 June 2019 | Ringgit Malaysia RM | Singapore Dollar RM | United States Dollar RM | Hong Kong Dollar RM | Japanese Yen RM | New Zealand Dollar RM | Euro RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | | |
| Cash and bank balances | 553,058 | 80,057,356 | 1,415,719 | - | 84,349 | - | - | 82,110,482 |
| Other receivables | - | 63,629 | 443 | 8,273 | - | 141,702 | - | 214,047 |
| Loans to subsidiaries | 1,000,000 | 1,836,600 | - | - | - | - | - | 2,836,600 |
| Amounts due from subsidiaries | 304 | 5,978 | 28,210 | - | - | - | - | 34,492 |
| Advances to a joint venture | - | - | - | - | - | 16,009,469 | - | 16,009,469 |
| Derivative asset | - | - | - | - | - | - | 9,366,693 | 9,366,693 |
| | 1,553,362 | 81,963,563 | 1,444,372 | 8,273 | 84,349 | 16,151,171 | 9,366,693 | 110,571,783 |
| **Financial liabilities** | | | | | | | | |
| Loans and borrowings | - | 24,212,510 | 35,735,384 | - | - | - | - | 59,947,894 |
| Other payables | 244,246,024 | 982,497 | 34,967 | 5,346 | 124,877 | 21,541 | 4,876,179 | 250,291,431 |
| Amounts due to subsidiaries | 1,531,413 | 6,896 | - | - | - | - | - | 1,538,309 |
| Derivative liability | - | - | - | - | - | - | 1,070,705 | 1,070,705 |
| | 245,777,437 | 25,201,903 | 35,770,351 | 5,346 | 124,877 | 21,541 | 5,946,884 | 312,848,339 |
| **Net financial (liabilities)/assets** | (244,224,075) | 56,761,660 | (34,325,979) | 2,927 | (40,528) | 16,129,630 | 3,419,809 | (202,276,556) |
| Less: Net financial position denominated in the functional currencies | 244,224,075 | - | - | - | - | - | - | 244,224,075 |
| **Currency exposure** | - | 56,761,660 | (34,325,979) | 2,927 | (40,528) | 16,129,630 | 3,419,809 | 41,947,519 |

## 41. Financial risk management objectives and policies (cont'd)

### (d) Foreign currency risk (cont'd)

The Company's currency exposure is as follows: (cont'd)

| At 30 June 2018 | Ringgit Malaysia RM | Singapore Dollar RM | United States Dollar RM | Philippine Peso RM | Japanese Yen RM | New Zealand Dollar RM | British Pound RM | Euro RM | Total RM |
|---|---|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | | | |
| Cash and bank balances | 1,435,213 | 86,847,483 | 539,481 | - | 79,940 | - | - | - | 88,902,117 |
| Other receivables | - | 5,072 | 196 | - | - | 139,459 | - | - | 144,727 |
| Amounts due from a subsidiaries | 15,486 | - | - | - | - | - | - | - | 15,486 |
| Advances to a joint venture | - | - | - | - | - | 23,108,701 | - | - | 23,108,701 |
| | 1,450,699 | 86,852,555 | 539,677 | - | 79,940 | 23,248,160 | - | - | 112,171,031 |
| **Financial liabilities** | | | | | | | | | |
| Loans and borrowings | - | 20,720,000 | - | - | - | - | - | - | 20,720,000 |
| Other payables | 234,147,896 | 817,845 | 305,343 | - | - | 139 | 122,035 | 294,329 | 235,687,587 |
| Amounts due to subsidiaries | 608,377 | 9,305 | - | 6,046 | - | - | - | - | 623,728 |
| | 234,756,273 | 21,547,150 | 305,343 | 6,046 | - | 139 | 122,035 | 294,329 | 257,031,315 |
| **Net financial (liabilities)/assets** | (233,305,574) | 65,305,405 | 234,334 | (6,046) | 79,940 | 23,248,021 | (122,035) | (294,329) | (144,860,284) |
| Less: Net financial position denominated in the functional currencies | 233,305,574 | - | - | - | - | - | - | - | 233,305,574 |
| **Currency exposure** | - | 65,305,405 | 234,334 | (6,046) | 79,940 | 23,248,021 | (122,035) | (294,329) | 88,445,290 |

## 41. Financial risk management objectives and policies (cont'd)

### (e) Fair values of financial instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Fair value hierarchy
The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 - Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

There were no transfer between Level 1 and Level 2 during the current and previous financial year.

## 41. Financial risk management objectives and policies (cont'd)

### (e) Fair values of financial instruments (cont'd)

(i) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

| | Fair value measurements using | | | |
|---|---|---|---|---|
| Group | Quoted prices in active markets for identical instruments (Level 1) RM | Significant observable inputs other than quoted prices (Level 2) RM | Significant unobservable inputs (Level 3) RM | Total RM |
| **Assets and liabilities measured at fair value** | | | | |
| **2019** | | | | |
| **Financial assets:** | | | | |
| Non-current asset | | | | |
| Derivative asset | - | - | 9,366,693 | 9,366,693 |
| Current assets | | | | |
| Financial assets at fair value through other comprehensive income - quoted equity shares | 172,099,864 | - | - | 172,099,864 |
| Financial assets at fair value through profit or loss - money market fund | - | 8,879,131 | - | 8,879,131 |
| **Financial assets as at 30 June 2019** | 172,099,864 | 8,879,131 | 9,366,693 | 190,345,688 |
| **Financial liabilities:** | | | | |
| Non-current liabilities | | | | |
| Put liability | - | - | 12,588,232 | 12,588,232 |
| Other payables - contingent consideration | - | - | 248,502,535 | 248,502,535 |
| **Financial liabilities as at 30 June 2019** | - | - | 261,090,767 | 261,090,767 |
| **2018** | | | | |
| **Financial assets:** | | | | |
| Current assets | | | | |
| Available-for-sale financial assets | | | | |
| - quoted equity shares | 189,780,204 | - | - | 189,780,204 |
| - money market fund | - | 4,559,997 | - | 4,559,997 |
| **Financial assets as at 30 June 2018** | 189,780,204 | 4,559,997 | - | 194,340,201 |
| **Financial liabilities:** | | | | |
| Non-current liability | | | | |
| Other payables - contingent consideration | - | - | 233,743,461 | 233,743,461 |

## 41. Financial risk management objectives and policies (cont'd)

### (e) Fair values of financial instruments (cont'd)

(i) Assets and liabilities measured at fair value (cont'd)

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period: (cont'd)

| | Fair value measurements using | | | |
|---|---|---|---|---|
| Company | Quoted prices in active markets for identical instruments (Level 1) RM | Significant observable inputs other than quoted prices (Level 2) RM | Significant unobservable inputs (Level 3) RM | Total RM |
| **Assets and liabilities measured at fair value** | | | | |
| **2019** | | | | |
| **Financial assets:** | | | | |
| Non-current asset | | | | |
| Derivative asset | - | - | 9,366,693 | 9,366,693 |
| **Financial liabilities:** | | | | |
| Non-current liabilities | | | | |
| Derivative liability | - | - | 1,070,705 | 1,070,705 |
| Other payables - contingent consideration | - | - | 248,502,535 | 248,502,535 |
| **Financial liabilities as at 30 June 2019** | - | - | 249,573,240 | 249,573,240 |
| **2018** | | | | |
| **Financial liabilities:** | | | | |
| Non-current liability | | | | |
| Other payables - contingent consideration | - | - | 233,743,461 | 233,743,461 |

## 41. Financial risk management objectives and policies (cont'd)

### (e) Fair values of financial instruments (cont'd)

(ii) Assets and liabilities not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The following table shows an analysis of each class of assets and liabilities not carried at fair value and whose carrying amounts are not reasonable approximation of fair value:

| Group | Carrying amount (Note 32) RM | Fair value RM |
|---|---|---|
| **Liability not measured at fair value** | | |
| **2019** | | |
| **Financial liability:** | | |
| Non-current liability | | |
| Obligations under finance leases | 2,423,648 | 2,329,763 |
| **2018** | | |
| **Financial liability:** | | |
| Non-current liability | | |
| Obligations under finance leases | 2,925,844 | 2,895,096 |

(iii) The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

- **Available-for-sale financial assets/Financial assets at fair value through other comprehensive income - quoted equity shares, financial assets at fair value through profit or loss - money market fund, cash and cash equivalents, other receivables, other payables (current), amounts due from/to holding company/ subsidiaries/related parties, and bank overdraft**

  The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

  Unquoted money market funds are valued based on currently available deposits with similar terms and maturities.

  Quoted equity shares is determined by reference to their published market closing price or the quoted closing bid price at the reporting date.

- **Other payables (non-current)**

  The fair value of these financial liabilities are estimated by discounting the expected future payouts at interest rate specific to the contractual arrangement at the reporting date. As at 30 June 2019, the carrying amount of this financial instrument is not materially different from its calculated fair value.

- **Trade receivables and trade payables**

  The carrying amounts approximate fair values because these are subject to normal trade credit terms.

- **Loans and borrowings (non-current)**

  The fair values of the obligations under finance leases are determined by the present value of minimum lease payments, which are estimated by discounting the expected future cash flows at market incremental lending rate for similar types of finance leases at the reporting date.

  The fair value of the term loan and revolving credit approximates its carrying amount as they are floating rate instruments that are re-priced to market interest rate on or near the reporting date.

## 41. Financial risk management objectives and policies (cont'd)

### (e) Fair values of financial instruments (cont'd)

**Description of significant unobservable inputs to valuation:**

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 30 June 2019 and 2018 are shown below:

| | Valuation technique | Significant unobservable inputs | Range (Weighted average) | Sensitivity of the input to fair value |
|---|---|---|---|---|
| **Group** | | | | |
| Put liability | Discounted cash flow ("DCF") method | Assumed probability - adjusted net profit after tax ("NPAT") of XIT Group | **2019:** RM7,420,919<br>**2018:** - | 10% increase or decrease would result in an increase or decrease in fair value by RM1,258,823 in put liability |
| **Group and Company** | | | | |
| Contingent consideration - XIT Group | DCF method | Assumed probability - earnings before interest and taxes of XIT Group | **2019:** RM6,511,617<br>**2018:** - | 10% increase or decrease would not change the deferred amount |
| Contingent consideration - SIL Group | DCF method | Assumed probability - adjusted NPAT of SIL Group | **2019:** RM31,073,763 | 10% increase or decrease would result in an increase or decrease in fair value by RM11,084,861 |
| | | | **2018:** RM34,455,906 | 10% increase or decrease would result in an increase or decrease in fair value by RM35,863,397 |
| Derivative asset - Call option | Black Scholes model | Long-term growth rate for cash flows for subsequent years | 1% - 3% (2%) | 1% decrease would result in a decrease in fair value by RM705,104; 1% increase would result in an increase in fair value by RM2,810,356 |
| | | Weighted average cost of capital ("WACC") | 11% - 13% (12%) | 1% increase would result in a decrease in fair value by RM1,325,074; 1% decrease would result in an increase in fair value by RM3,650,856 |
| **Company** | | | | |
| Derivative liability - Put option | Black Scholes model | Long-term growth rate for cash flows for subsequent years | 1% - 3% (2%) | 1% decrease would result in an increase in fair value by RM121,905; 1% increase would result in a decrease in fair value by RM360,489 |
| | | WACC | 11% - 13% (12%) | 1% increase would result in an increase in fair value by RM243,157; 1% decrease would result in a decrease in fair value by RM439,511 |

## 41. Financial risk management objectives and policies (cont'd)

### (f) Collateral

Other than part of short-term deposits pledged with banks as disclosed in Note 27, the Group has no other significant terms and conditions associated with the use of collateral.

The Group did not hold collateral as at 30 June 2019 (2018: Nil).

## 42. Changes in liabilities arising from financing activities

| | Dividends (Note 38) RM | Loans and borrowings (excluding overdraft) (Note 31) RM | Total liabilities from financing activities RM |
|---|---|---|---|
| **Group** | | | |
| **At 1 July 2017** | - | 91,035,468 | 91,035,468 |
| Dividends declared during the year | 386,524,534 | - | 386,524,534 |
| Dividends paid | (386,524,534) | - | (386,524,534) |
| Proceeds from revolving credit | - | 128,139,320 | 128,139,320 |
| Repayment of revolving credit | - | (195,754,582) | (195,754,582) |
| Repayment of obligations under finance leases | - | (1,003,852) | (1,003,852) |
| Others | - | 2,605,781 | 2,605,781 |
| **At 30 June 2018** | - | 25,022,135 | 25,022,135 |
| **At 1 July 2018** | - | 25,022,135 | 25,022,135 |
| Dividends declared during the year | 152,411,674 | - | 152,411,674 |
| Dividends paid | (152,411,674) | - | (152,411,674) |
| Proceeds from revolving credit | - | 72,706,050 | 72,706,050 |
| Repayment of term loan and revolving credit | - | (34,186,331) | (34,186,331) |
| Repayment of obligations under finance leases | - | (1,446,859) | (1,446,859) |
| Others | - | 2,379,218 | 2,379,218 |
| **At 30 June 2019** | - | 64,474,213 | 64,474,213 |

The 'Others' line item includes purchases of property, plant and equipment held under finance leases, acquisition of subsidiaries and the effect of foreign currency translation on loans and borrowings (excluding overdraft) denominated in foreign currencies. The Group classifies interest paid as cash flows from operating activities.

## 43. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 30 June 2019 and 2018.

The Group monitors capital using the net asset value of the Group, which is total assets less total liabilities of the Group. The net asset value of the Group as at 30 June 2019 is RM592,336,821 (2018: RM523,183,752).

The Group and its subsidiaries are not subject to any externally imposed capital requirements.

## 44. Segment information

For management purposes, the Group is organised into segments as follows:

Operating segments

(i) Software licensing – provision of digital economy solutions to banks and corporations in banking, retail, government, payment and logistics industries.

(ii) Software project services – provision of software customisation and implementation services to deliver end-to-end core banking, payment, retail, digital identity and security software solutions.

(iii) Maintenance and enhancement services – provision of round-the-clock software maintenance support and software enhancement services.

(iv) Sale of software and hardware products – sale of software and hardware products to meet customers' software and hardware needs.

(v) Credit and cards processing – provision of full scale processing of credit cards and other credit products on an outsourcing basis.

(vi) Software-as-a-Service - Insurance processing – provision of cloud computing Software-as-a-Service collaborative platform for policy origination and insurance claim processing.

Non-operating segment

(i) Corporate and others – comprising investment holding and corporate activities which do not constitute as separate reportable segment and which costs cannot be directly attributable to the operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain aspect as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the financial year to acquire segment assets which are expected to be used for more than one period.

Current taxes and deferred taxes are not allocated to individual segments as they are managed on a group basis.

## 44. Segment information (cont'd)

### (a) Business information

The following table presents the revenue and results information regarding the Group's business segments for the financial years ended 30 June 2019 and 2018 and assets, liabilities and other segment information regarding the Group's segments as at 30 June 2019 and 30 June 2018.

| 2019 | Software licensing RM | Software project services RM | Maintenance and enhancement services RM | Sale of software and hardware products RM | Credit and cards processing RM | Software-as-a-Service - Insurance processing RM | Corporate and others RM | Adjustments and eliminations RM | Notes | Per consolidated financial statements RM |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue:** | | | | | | | | | | |
| External customers | 100,654,052 | 102,911,087 | 421,804,060 | 11,041,089 | 10,978,900 | 33,418,572 | - | - | | 680,807,760 |
| At a point in time | 17,420,122 | - | - | 11,041,089 | 140,780 | 30,613,042 | - | - | | 59,215,033 |
| Over time | 83,233,930 | 102,911,087 | 421,804,060 | - | 10,838,120 | 2,805,530 | - | - | | 621,592,727 |
| Inter-segment | - | - | - | - | - | - | 203,247,600 | (203,247,600) | A | - |
| **Results:** | | | | | | | | | | |
| Finance income | 308,865 | 190,738 | 1,454,405 | 31,188 | 860 | 47,672 | 1,138,699 | - | | 3,172,427 |
| Finance costs | (43,749) | (38,302) | (44,860) | (6,942) | (14,178) | - | (26,872,994) | - | | (27,021,025) |
| Selling and distribution costs | (4,627,246) | (4,688,207) | (21,988,983) | (950,494) | (124,082) | (4,079,929) | (964,133) | - | | (37,423,074) |
| Depreciation of property, plant and equipment | (522,920) | (524,791) | (1,883,956) | (97,656) | (912,315) | (579,959) | (140,578) | - | | (4,662,175) |
| Net gain/(loss) on disposal of property, plant and equipment | 1,437,122 | 795,718 | 947,083 | - | (5,399) | - | 5,865,356 | - | | 9,039,880 |
| Amortisation of intangible assets | (15,457,923) | - | (823,264) | - | (911,188) | (2,119,567) | - | - | | (19,311,942) |
| Impairment of intangible assets | (1,378,135) | - | (14,056,000) | - | (105,612) | - | - | - | | (15,539,747) |
| Share of loss of a joint venture | - | - | - | - | - | - | (1,716,738) | - | | (1,716,738) |
| Reversal of provision for foreseeable losses | - | 181,303 | - | - | - | - | - | - | | 181,303 |
| Reversal of value-added tax accrued for disposal of quoted equity shares | - | - | - | - | - | - | 18,249,642 | - | | 18,249,642 |
| Fair value adjustment on contingent consideration for business combination | - | - | - | - | - | - | 14,839,820 | - | | 14,839,820 |
| Gain on derivative asset at fair value through profit or loss | - | - | - | - | - | - | 9,366,693 | - | | 9,366,693 |
| Gain on disposal of an associate | - | - | - | - | - | - | 1 | - | | 1 |
| Other non-cash (expenses)/income | (1,888,973) | (903,829) | (2,896,249) | (694,371) | (1,434,866) | (399,646) | 449,702 | - | B | (7,768,232) |
| Segment profit/(loss) | 75,444,066 | 33,616,650 | 237,298,630 | 1,741,893 | 1,124,811 | 17,144,259 | (125,322,581) | 43,677,968 | C | 284,725,696 |
| **Assets:** | | | | | | | | | | |
| Interest in a joint venture | - | - | - | - | - | - | 8,624,011 | - | | 8,624,011 |
| Capital expenditure | 67,947,736 | 15,812,485 | 13,952,630 | 16,583,334 | 730 | 460,352 | 12,746 | - | D | 114,770,013 |
| Segment assets | 153,942,311 | 138,528,470 | 465,926,738 | 20,818,435 | 4,625,672 | 77,973,083 | 290,198,227 | 30,343,239 | E | 1,182,356,175 |
| **Segment liabilities** | 44,342,408 | 22,384,009 | 129,716,580 | 2,944,310 | 1,963,942 | 7,584,973 | 328,742,902 | 52,340,230 | F | 590,019,354 |

## 44. Segment information (cont'd)

### (a) Business information (cont'd)

The following table presents the revenue and results information regarding the Group's business segments for the financial years ended 30 June 2019 and 2018 and assets, liabilities and other segment information regarding the Group's segments as at 30 June 2019 and 30 June 2018. (cont'd)

| 2018 | Software licensing RM | Software project services RM | Maintenance and enhancement services RM | Sale of software and hardware products RM | Credit and cards processing RM | Software-as-a-Service - Insurance processing RM | Corporate and others RM | Adjustments and eliminations RM | Notes | Per consolidated financial statements RM |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue:** | | | | | | | | | | |
| External customers | 39,976,023 | 51,832,406 | 391,973,002 | 8,044,173 | 19,631,173 | 30,309,326 | - | - | | 541,766,103 |
| At a point in time | 1,530,946 | - | - | 8,044,173 | 818,909 | 28,669,803 | - | - | | 39,063,831 |
| Over time | 38,445,077 | 51,832,406 | 391,973,002 | - | 18,812,264 | 1,639,523 | - | - | | 502,702,272 |
| Inter-segment | - | - | - | - | - | - | 464,885,909 | (464,885,909) | A | - |
| **Results:** | | | | | | | | | | |
| Finance income | 62,911 | 65,443 | 731,421 | 10,711 | 94 | 23,204 | 1,956,375 | - | | 2,850,159 |
| Finance costs | (15,621) | (11,364) | (28,429) | (1,376) | (25,059) | - | (1,254,373) | - | | (1,336,222) |
| Selling and distribution costs | (2,223,343) | (2,507,976) | (19,160,548) | (240,392) | (248,919) | (4,784,975) | (584,519) | - | | (29,750,672) |
| Depreciation of property, plant and equipment | (195,505) | (229,848) | (2,123,038) | (23,064) | (1,293,766) | (465,175) | (31,008) | - | | (4,361,404) |
| Net gain on disposal of property, plant and equipment | 92,259 | 57,574 | 64,553 | 8,135 | - | - | 19,430 | - | | 241,951 |
| Amortisation of intangible assets | (12,837,493) | - | (834,041) | - | (1,054,771) | (2,205,400) | - | - | | (16,931,705) |
| Share of loss of a joint venture | - | - | - | - | - | - | (15,876,018) | - | | (15,876,018) |
| Reversal of provision/(Provision) for foreseeable losses | - | 1,421,917 | (221,760) | - | - | - | - | - | | 1,200,157 |
| Loss on disposal of financial assets - quoted equity shares | - | - | - | - | - | - | (6,316,460) | - | | (6,316,460) |
| Dividend income from financial assets - quoted equity shares | - | - | - | - | - | - | 199,141 | - | | 199,141 |
| Other non-cash (expenses)/income | (2,486,418) | 932,080 | (1,474,407) | 19,696 | 95,649 | (330,265) | (9,878,694) | - | B | (13,122,359) |
| Segment profit/(loss) | 21,497,919 | 1,397,556 | 220,841,760 | 3,545,966 | 6,835,962 | 15,396,478 | (158,895,713) | 36,570,000 | C | 147,189,928 |
| **Assets:** | | | | | | | | | | |
| Interest in a joint venture | - | - | - | - | - | - | 9,667,993 | - | | 9,667,993 |
| Capital expenditure | 21,737,812 | 1,153,910 | 2,697,767 | 89,662 | 116 | 877,733 | 284,749 | - | D | 26,841,749 |
| Segment assets | 104,085,236 | 79,543,421 | 387,456,030 | 2,008,529 | 10,594,228 | 73,581,269 | 329,295,950 | 20,693,282 | E | 1,007,257,945 |
| **Segment liabilities** | 36,217,249 | 16,410,178 | 101,448,632 | 412,835 | 3,333,383 | 5,454,842 | 275,774,776 | 45,022,298 | F | 484,074,193 |

## 44. Segment information (cont'd)

### (a) Business information (cont'd)

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A Inter-segment dividend is eliminated on consolidation.

B Other non-cash (expenses)/income consist of write off of property, plant and equipment, impairment of property, plant and equipment, gain on redemption of financial assets - money market fund, (impairment loss)/reversal of impairment loss on financial assets, expected credit losses on trade receivables and contract assets, inventories written off, bad debts (written off)/recovered, waiver of debts by previous owner of a subsidiary, unrealised foreign currency exchange (loss)/gain, allowance for unutilised leave, provision for defined benefits liabilities, performance shares issued and shares issued to a former non-executive director as presented in the respective notes to the financial statements.

C The following items are eliminated on consolidation to arrive at "Profit before tax" presented in the consolidated income statement, as these items have been included in the segment profit/(loss) of the corporate and others segment:

| | 2019 RM | 2018 RM |
|---|---|---|
| Elimination of impairment losses in investments in subsidiaries | 35,982,968 | 34,198,000 |
| Elimination of impairment loss on advances to a joint venture | 7,695,000 | 2,372,000 |
| | 43,677,968 | 36,570,000 |

D Capital expenditure consists of additions to property, plant and equipment and intangible assets, including assets from the acquisition of subsidiaries.

E The following tax items are managed on a group basis and are not allocated to individual segment, and are herein added to segment assets to arrive at total assets reported in consolidated statement of financial position:

| | 2019 RM | 2018 RM |
|---|---|---|
| Tax recoverable | 4,260,903 | 4,317,961 |
| Deferred tax assets | 26,082,336 | 16,375,321 |
| | 30,343,239 | 20,693,282 |

F The following tax items are managed on a group basis and are not allocated to individual segment, and are herein added to segment liabilities to arrive at total liabilities reported in consolidated statement of financial position:

| | 2019 RM | 2018 RM |
|---|---|---|
| Tax payable | 19,104,506 | 13,193,641 |
| Deferred tax liabilities | 33,235,724 | 31,828,657 |
| | 52,340,230 | 45,022,298 |

## 44. Segment information (cont'd)

### (b) Geographical information

The Group's six main business segments operate in seven main geographical regions:

- South East Asia – the operations in this area are principally software licensing; rendering of software project services; maintenance and enhancement services; sale of software and hardware products; and Software-as-a-Service - Insurance processing.
- North East Asia – the operations in this area are principally software licensing; rendering of software project services; maintenance and enhancement services; Software-as-a-Service - Insurance processing; and credit and cards processing.
- South Asia – the operations in this area are principally software licensing; rendering of software project services; maintenance and enhancement services; and sale of software and hardware products.
- Middle East – the operations in this area are principally software licensing; rendering of software project services; maintenance and enhancement services; and sale of software and hardware products.
- Americas – the operations in this area are principally software licensing; rendering of software project services; and maintenance and enhancement services.
- Africa – the operations in this area are principally software licensing; rendering of software project services; maintenance and enhancement services; and sale of software and hardware products.
- Europe – the operations in this area are principally software licensing; rendering of software project services; maintenance and enhancement services; and sale of software and hardware products.

Revenue, trade receivables, contract assets and amounts due from related parties (trade) are based on the country in which the end-customer is located. Other assets and capital expenditure are shown by the geographical region where the assets are located.

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| **Revenue** | | |
| South East Asia | 534,054,164 | 429,720,597 |
| North East Asia | 40,596,098 | 32,272,955 |
| South Asia | 43,759,184 | 36,769,340 |
| Middle East | 20,717,037 | 18,463,197 |
| Americas | 3,145,403 | - |
| Africa | 10,702,715 | 9,801,911 |
| Europe | 27,833,159 | 14,738,103 |
| | 680,807,760 | 541,766,103 |
| **Capital expenditure** | | |
| South East Asia | 32,843,553 | 26,714,756 |
| North East Asia | 4,459 | - |
| Middle East | 39,509 | 12,657 |
| Africa | 136,284 | - |
| Europe | 81,746,208 | 114,336 |
| | 114,770,013 | 26,841,749 |

## 44. Segment information (cont'd)

### (b) Geographical information (cont'd)

Revenue, trade receivables, contract assets and amounts due from related parties (trade) are based on the country in which the end-customer is located. Other assets and capital expenditure are shown by the geographical region where the assets are located. (cont'd)

| | 2019 RM | 2018 RM |
|---|---|---|
| **Segmental assets** | | |
| South East Asia | 826,186,699 | 712,361,771 |
| North East Asia | 202,334,480 | 245,825,467 |
| South Asia | 24,229,222 | 21,491,101 |
| Middle East | 4,323,140 | 6,470,590 |
| Americas | 2,769,480 | 2,875,344 |
| Africa | 7,353,077 | 2,579,431 |
| Europe | 106,394,364 | 5,846,789 |
| Oceania | 141,702 | 139,459 |
| | 1,173,732,164 | 997,589,952 |
| Interest in a joint venture | 8,624,011 | 9,667,993 |
| | 1,182,356,175 | 1,007,257,945 |

No other individual country contributed more than 10% of consolidated revenue and non-current assets, except for:

| | 2019 RM | 2018 RM |
|---|---|---|
| **Revenue** | | |
| Malaysia | 270,496,710 | 184,015,615 |
| Singapore | 100,757,956 | 93,769,913 |
| Thailand | 65,899,606 | 66,369,773 |
| **Non-current assets *** | | |
| Malaysia | 132,507,616 | 123,250,235 |
| Singapore | 74,850,746 | 88,974,049 |
| Latvia | 79,361,657 | - |

* Non-current assets for this purpose consist of property, plant and equipment and intangible assets.

Information about major customers

One major customer (2018: Nil) contributed more than 10% of the total Group's revenue amounting to RM103,124,656 (2018: Nil). Revenue from major customer arise from software licensing, software project services, maintenance and enhancement services and sale of software and hardware products.

## 45. Significant event during the financial year

**Acquisition of subsidiaries**

On 9 November 2018, the Company entered into a conditional sale and purchase agreement and subsequently a supplemental letter dated 24 January 2019 with Novaltisco Investments Limited, together with various other persons (as guarantors), to acquire 80% of the issued share capital of SIA X Infotech Group and its subsidiaries ("XIT Group"), with concurrent call and put options over the remaining 20% of the issued share capital of XIT Group.

The purchase consideration for the initial 80% equity interest of XIT Group comprises Initial Consideration and Earn-Out Consideration, of which RM59,213,472 (equivalent to EUR12,608,000) Initial Upfront Consideration was paid on 25 January 2019, the Initial Deferred Amount and Earn-Out Consideration are payable in the financial year ending 2021 and 2022 respectively subject to the achievement of pre-determined performance growth target set for XIT Group and undertaking of Initial Public Offering. The put and call options, if exercised, the purchase consideration shall be a sum of 12 times of XIT Group's FY2021 earnings before interest and taxes or adjusted net profit after tax multiplied by twenty per centum (20%) payable by the financial year ending FY2022 and FY2023 respectively.

The acquisition was completed on 25 January 2019 and XIT Group became a subsidiary of the Company.

The impact of the acquisition is as disclosed in Note 13(a).

## 46. Significant event after the financial year

**Proposed deemed disposal of interest in a joint venture**

On 28 August 2019, the Company entered into a deed of settlement and implementation ("Deed") with HGH (ICT Investments No. 2) Limited ("HGH") and Silverlake HGH Limited ("SHGH"), where SHGH agreed to sell its entire shareholding comprising 7,528,990 ordinary shares of Finzsoft Solutions Limited ("Finzsoft") to the Company and HGH in proportion of their equity interest in SHGH in the following manner:

(a) 3,839,785 ordinary shares of Finzsoft to the Company; and
(b) 3,689,205 ordinary shares of Finzsoft to HGH,
upon the terms and subject to the conditions of the Deed ("Proposed Transfer").

The Proposed Transfer is subject to Finzsoft's shareholders approval by an ordinary resolution pursuant to Rule 7(c) of the takeovers code as set out in the Schedule to the New Zealand Takeovers Regulations 2000. An ordinary resolution is required to be held within the next 4 to 6 weeks from the date of the Deed. Notice of meeting will be sent to the shareholders, of which the meeting will be held in approximately 10 to 15 working days.

The Proposed Transfer is not expected to have a material impact on the Group's and the Company's net tangible assets or earnings per share for the financial year ending 30 June 2020.

## 47. Authorisation of financial statements for issue

The financial statements for the financial year ended 30 June 2019 were authorised for issue in accordance with a resolution of the directors on 26 September 2019.

# STATISTICS OF SHAREHOLDINGS

## AS AT 17 SEPTEMBER 2019

| | | |
|---|---|---|
| Issued and fully paid-up capital | : | RM191,040,654 |
| No. of shares issued | : | 2,696,472,800 shares |
| Class of shares | : | Ordinary shares |
| Voting rights | : | One vote per share |
| No. of treasury shares held | : | 51,420,068 |
| Percentage of treasury shares against total number of issued ordinary shares (excluding treasury shares) | : | 1.9% |
| Subsidiary holdings | : | No shares issued in the share capital of the Company was held by the Company's subsidiaries. |

## DISTRIBUTION OF SHAREHOLDINGS

| Size of Shareholdings | No. of Shareholders | % | No. of Shares (excluding treasury shares) | % |
|---|---|---|---|---|
| 1 - 99 | 21 | 0.54 | 661 | 0.00 |
| 100 - 1,000 | 179 | 4.61 | 109,801 | 0.00 |
| 1,001 - 10,000 | 1,646 | 42.36 | 10,179,780 | 0.38 |
| 10,001 - 1,000,000 | 1,998 | 51.41 | 111,239,671 | 4.21 |
| 1,000,001 AND ABOVE | 42 | 1.08 | 2,523,522,819 | 95.41 |
| TOTAL | 3,886 | 100.00 | 2,645,052,732 | 100.00 |

## TWENTY LARGEST SHAREHOLDERS

| No. | Name | No. of Shares | % |
|---|---|---|---|
| 1 | CITIBANK NOMINEES SINGAPORE PTE LTD | 939,400,249 | 35.52 |
| 2 | BNP PARIBAS NOMINEES SINGAPORE PTE. LTD. | 460,802,400 | 17.42 |
| 3 | INTELLIGENTSIA HOLDING LTD | 410,779,447 | 15.53 |
| 4 | DB NOMINEES (SINGAPORE) PTE LTD | 178,224,136 | 6.74 |
| 5 | RAFFLES NOMINEES (PTE.) LIMITED | 163,246,744 | 6.17 |
| 6 | DBS NOMINEES (PRIVATE) LIMITED | 74,638,595 | 2.82 |
| 7 | CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. | 67,328,984 | 2.55 |
| 8 | SEE CHUANG THUAN OR LOI PEK KEAW | 39,255,953 | 1.48 |
| 9 | DBSN SERVICES PTE. LTD. | 29,749,816 | 1.12 |
| 10 | KWONG YONG SIN | 18,972,000 | 0.72 |
| 11 | HSBC (SINGAPORE) NOMINEES PTE LTD | 17,099,795 | 0.65 |
| 12 | CHOO SOO CHING @ CHA BOO @ CHOO JOO DI | 13,547,714 | 0.51 |
| 13 | MAYBANK KIM ENG SECURITIES PTE. LTD. | 12,462,620 | 0.47 |
| 14 | OCBC SECURITIES PRIVATE LIMITED | 10,810,900 | 0.41 |
| 15 | PHILLIP SECURITIES PTE LTD | 9,192,870 | 0.35 |
| 16 | MACQUARIE CAPITAL SECURITIES (SINGAPORE) PTE. LIMITED | 8,690,830 | 0.33 |
| 17 | TAN BIEN CHUAN | 6,600,000 | 0.25 |
| 18 | UOB KAY HIAN PRIVATE LIMITED | 6,384,500 | 0.24 |
| 19 | 28 HOLDINGS PTE. LTD. | 4,911,200 | 0.19 |
| 20 | KWANG KING SIONG | 4,274,482 | 0.16 |
| **TOTAL** | | **2,476,373,235** | **93.63** |

## SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders of the Company as at 17 September 2019 are as follows:

| | No. of Ordinary Shares of USD0.02 each | | | |
|---|---|---|---|---|
| | Direct Interest | % | Deemed Interest | % |
| Intelligentsia Holding Ltd. | 1,759,877,345 | 66.53% | - | - |
| Goh Peng Ooi | - | - | 1,759,877,345 | 66.53% |

Note:

Intelligentsia Holding Ltd. is wholly-owned by Mr. Goh Peng Ooi. As such, Mr. Goh Peng Ooi is deemed to have an interest in the 1,759,877,345 shares held by Intelligentsia Holding Ltd. A total of 1,349,097,898 shares held by Intelligentsia Holding Ltd. are registered in the names of nominee companies.

## FREE FLOAT

As at 17 September 2019, approximately 30.25% of the issued ordinary shares of the Company was held in the hands of the public (on the basis of information available to the Company).

Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting ("AGM") of SILVERLAKE AXIS LTD. (the "Company") will be held at Capricorn & Leo, Level 1, Marina Mandarin Singapore, 6 Raffles Boulevard, Marina Square, Singapore 039594 on 24 October 2019, Thursday at 2.00 p.m. for the following purposes:

## AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 30 June 2019 together with the Directors' Report and Auditors' Report thereon. **Ordinary Resolution 1**

2. To declare a final tax exempt 1-tier dividend of Singapore 0.7 cents per ordinary share for the financial year ended 30 June 2019 as recommended by the Directors. **Ordinary Resolution 2**

3. To approve the payment of Directors' Fees of S$1,153,333 (2019: S$1,100,000) for the financial year ending 30 June 2020, to be paid quarterly in arrears. **Ordinary Resolution 3**

   [See Explanatory Note (i)]

4. To re-elect Mr. Goh Peng Ooi, who is retiring under Bye-law 86(1) of the Company's Bye-laws, as Director of the Company. **Ordinary Resolution 4**

   [See Explanatory Note (ii)]

5. To re-elect Dr. Kwong Yong Sin, who is retiring under Bye-law 86(1) of the Company's Bye-laws, as Director of the Company. **Ordinary Resolution 5**

   [See Explanatory Note (iii)]

6. To re-elect Mr. Ong Kian Min, who is retiring under Bye-law 86(1) of the Company's Bye-laws, as Director of the Company. **Ordinary Resolution 6**

   [See Explanatory Note (iv)]

7. To re-elect Mr. Tan Teik Wei, who is retiring under Bye-law 85(6) of the Company's Bye-laws, as Director of the Company. **Ordinary Resolution 7**

   [See Explanatory Note (v)]

8. To re-appoint Messrs Ernst & Young, as auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 8**

9. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

## AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions (with or without amendments):

10. **APPOINTMENT OF DIRECTOR** **Ordinary Resolution 9**

    "That pursuant to Bye-law 85(1) of the Company's Bye-laws, Mr. Yano Satoru be appointed as Director of the Company."

    [See Explanatory Note (vi)]

11. **AUTHORITY TO DIRECTORS TO ALLOT AND ISSUE SHARES** **Ordinary Resolution 10**

"That pursuant to the Rule 806 of the Listing Manual ("**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

(a) (i) issue shares in the Company ("**Shares**"), whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and,

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of Shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) subject to such calculation as may be prescribed by the SGX-ST for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the rules, measures, guidelines, practice notes, and other materials issued by the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST), in particular the SGX-ST Listing Manual, and the Company's Bye-laws for the time being; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier."

[See Explanatory Note (vii)]

12. **AUTHORITY TO GRANT AWARDS AND TO ALLOT AND ISSUE SHARES UNDER SILVERLAKE AXIS LTD PERFORMANCE SHARE PLAN 2010** **Ordinary Resolution 11**

"That authority be and is hereby given to the Directors of the Company to grant awards from time to time in accordance with the provisions of the Silverlake Axis Ltd Performance Share Plan (the "**PSP**"), and to allot and issue from time to time such number of shares as may be required to be issued pursuant to the release of awards granted under the PSP, provided always that the aggregate number of shares to be issued pursuant to the PSP shall not exceed 5% of the total number of issued shares excluding treasury shares from time to time, as determined in accordance with the provisions of the PSP."

[See Explanatory Note (viii)]

13. **RENEWAL OF SHARE PURCHASE MANDATE** **Ordinary Resolution 12**

"THAT:

(a) for the purposes of Section 42A of the Bermuda Companies Act 1981 (the "**Act**"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company ("**Shares**") not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the maximum Price (as hereafter defined), whether by way of:

(1) on-market purchases (each a "**Market Purchase**") on the SGX-ST; and/or

(2) off-market purchases (each an "**Off-Market Purchase**") effected otherwise than on the SGX-ST in accordance with any equal access schemes as may be determined or formulated by the Directors as they consider fit, which schemes shall satisfy all the conditions prescribed by the Act,

and otherwise in accordance with all other laws, regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earliest of:

(1) the date on which the next Annual General Meeting of the Company is held or required by law to be held; or

(2) the date on which purchases or acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated;

(c) In this Resolution:

"**Prescribed Limit**" means that number of issued Shares representing 10% of the issued Shares of the Company as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares); and

"**Maximum Price**" in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

(1) in the case of a Market Purchase, 105% of the Average Closing Price; and

(2) in the case of an Off-Market Purchase, 120% of the Average Closing Price,

where:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last 5 market days on which Shares were transacted on the SGX-ST immediately preceding the date of making the Market Purchase by the Company or, as the case may be, the date of making the offer pursuant to the Off-Market Purchase, as deemed to be adjusted for any corporate action that occurs after the relevant 5 market day period;

"**date of the making of the offer**" means the day on which the Company makes an offer for the purchase of Shares from shareholders stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase, and

"**market day**" means a day on which the SGX-ST is open for trading in securities; and

(d) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this resolution."

[See Explanatory Note (ix)]

14. **RENEWAL OF INTERESTED PERSONS TRANSACTIONS GENERAL MANDATE** **Ordinary Resolution 13**

"THAT:

(a) approval be and is hereby given for the purposes of Chapter 9 of the Listing Manual of the SGX- ST for the Company, its subsidiaries and associated companies or any of them to enter into any of the transactions falling within the types of the interested persons transactions ("**Recurrent Transactions**") set out in the Company's Circular to Shareholders dated 2 October 2008 ("**Circular**"), with any party who is of the classes of Interested Persons described in the Circular, provided that such interested persons transactions are carried out on normal commercial terms and in accordance with the review procedures for Recurrent Transactions as set out in the Circular ("**General Mandate**");

(b) the General Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company;

(c) the Audit and Risk Committee of the Company be and is hereby authorised to take such action as it deems proper in respect of procedures and/or to modify or implement such procedures as may be necessary to take into consideration any amendment to Chapter 9 of the Listing Manual of the SGX-ST which may be prescribed by the SGX-ST from time to time; and

(d) the Directors of the Company and each of them be hereby authorised to complete and do all such acts and things including executing all such documents as may be required as they or he may consider expedient or necessary or in the interest of the Company to give effect to the General Mandate and/or this resolution."

[See Explanatory Note (x)]

**BY ORDER OF THE BOARD**

**Tan Min-Li**
**Priscilla Tan**
Joint Company Secretaries
Singapore

Date: 9 October 2019

## Explanatory Notes:

(i) The increase in directors' fees for financial year ending 30 June 2020 is due to the re-composition of the board of directors and the respective board committees.

(ii) If re-elected under Resolution 4 above, Mr. Goh Peng Ooi will remain as the Group Executive Chairman and a member of Nominating Committee. Detailed information on Mr. Goh Peng Ooi can be found at page 8 of the Annual Report.

Details on Mr. Goh Peng Ooi

Date of Appointment: 23 August 2002

Date of last re-appointment (if applicable): 27 October 2016

Age: 65

Country of principal residence: Malaysia

The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process): Please refer to the Corporate Governance section in the Company's 2019 Annual Report

Whether appointment is executive, and if so, the area of responsibility: Executive. Overall planning of the business direction and development of the Group

Job Title: Group Executive Chairman and member of Nominating Committee

Professional Qualifications: Please refer to the Board of Directors section in the Company's 2019 Annual Report

Working experience and occupation(s) during the past 10 years: Please refer to the Board of Directors section in the Company's 2019 Annual Report

Shareholding interest in the listed issuer and its subsidiaries: In the Company, 1,759,877,345 shares (Deemed Interest)

Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries: Yes. Intelligentsia Holding Ltd., which is a substantial shareholder of the Company, is wholly-owned by Mr. Goh Peng Ooi. He is also father of Ms. Goh Shiou Ling, an Executive Director of the Company.

Conflict of interest (including any competing business): None

Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) of the Mainboard Rules has been submitted to the listed issuer: Yes

Items (a) to (k) of Appendix 7.4.1: All items have been declared as "No".

(iii) If re-elected under Resolution 5 above, Dr. Kwong Yong Sin will remain as an Executive Director of the Company. Detailed information on Dr. Kwong Yong Sin can be found at page 9 of the Annual Report.

Details on Dr. Kwong Yong Sin

Date of Appointment: 20 August 2004

Date of last re-appointment (if applicable): Not applicable

Age: 63

Country of principal residence: Malaysia

The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process): Please refer to the Corporate Governance section in the Company's 2019 Annual Report

Whether appointment is executive, and if so, the area of responsibility: Executive. Overseeing investments for the Group and specifically, leading the Group's Strategic Digital Value Program.

Job Title: Senior Advisor & Head of Strategic Digital Value Program

Professional Qualifications: Please refer to the Board of Directors section in the Company's 2019 Annual Report

Working experience and occupation(s) during the past 10 years: Please refer to the Board of Directors section in the Company's 2019 Annual Report

Shareholding interest in the listed issuer and its subsidiaries: In the Company, 18,972,000 shares (Direct Interest); 1,600,000 shares (Deemed interest)

Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries: No

Conflict of interest (including any competing business): None

Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) of the Mainboard Rules has been submitted to the listed issuer: Yes

Items (a) to (k) of Appendix 7.4.1: All items have been declared as "No".

(iv) If re-elected under Resolution 6 above, Mr. Ong Kian Min will remain as the Lead Independent Non-Executive Director of the Company; the Chairman of Audit and Risk Committee and Nominating Committee; and a member of Remuneration Committee. He will be considered as independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST. There is no relationship including immediate family relationships between Mr. Ong Kian Min and the other Directors, the Company, or its 10% shareholders (as defined in the Code). Detailed information on Mr. Ong Kian Min can be found at page 10 of the Annual Report.

Details on Mr. Ong Kian Min

Date of Appointment: 9 January 2003

Date of last re-appointment (if applicable): 27 October 2016

Age: 59

Country of principal residence: Singapore

The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process): Please refer to the Corporate Governance section in the Company's 2019 Annual Report

Whether appointment is executive, and if so, the area of responsibility: Non-Executive

Job Title: Lead Independent Non-Executive Director; Chairman of Audit and Risk Committee and Nominating Committee; and member of Remuneration Committee

Professional Qualifications: Please refer to the Board of Directors section in the Company's 2019 Annual Report

Working experience and occupation(s) during the past 10 years: Please refer to the Board of Directors section in the Company's 2019 Annual Report

Shareholding interest in the listed issuer and its subsidiaries: In the Company, 1,800,000 shares (Direct Interest)

Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries: No

Conflict of interest (including any competing business): None

Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) of the Mainboard Rules has been submitted to the listed issuer: Yes

Items (a) to (k) of Appendix 7.4.1: All items have been declared as "No".

(v) If re-elected under Resolution 7 above, Mr. Tan Teik Wei, aged 61, will remain as the Group Managing Director. Detailed information on Mr. Tan Teik Wei can be found at page 9 of the Annual Report.

There is no change to the information and declaration disclosed in the Appendix 7.4.1 (Announcement of Appointment) that was announced on 5 April 2019 during his appointment process.

(vi) If appointed under Resolution 9 above, Mr. Yano Satoru will become an Independent Non-Executive Director of the Company; and a member of the Audit and Risk Committee. He will be considered as independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST. There is no relationship including immediate family relationships between Mr. Yano Satoru and the other Directors, the Company, or its 10% shareholders (as defined in the Code).

Details on Mr. Yano Satoru

Date of Appointment: 24 October 2019 (subject to shareholders' approval)

Date of last re-appointment (if applicable): Not Applicable

Age: 57

Country of principal residence: Singapore

The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process): The appointment of Mr. Yano Satoru as an Independent Non-Executive Director was recommended by the Nominating Committee and approved by the Board, after taking into consideration of Mr. Yano Satoru's qualifications, expertise and past experience. The Board recommends the proposed appointment for the shareholders' approval.

Whether appointment is executive, and if so, the area of responsibility: Non-Executive

Job Title: Independent Non-Executive Director and member of Audit and Risk Committee

Professional Qualifications: Bachelor of Laws from Keio University in Tokyo

Working experience and occupation(s) during the past 10 years: Director of Crossborder Pte. Ltd. since 1999

Shareholding interest in the listed issuer and its subsidiaries: Nil

Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries: No

Conflict of interest (including any competing business): None

Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) of the Mainboard Rules has been submitted to the listed issuer: Yes

Items (a) to (k) of Appendix 7.4.1: All items have been declared as "No".

Profile of Mr. Yano Satoru:
Mr. Yano has more than 30 years of a variety of unique international work experiences in both the public and private sectors, especially in the Asia Pacific and Europe. After graduation, he joined a governmental development finance institution as project finance officer. Afterwards, he worked as development consultant, where he was involved in socio-economic infrastructure projects worth billions of dollars in total in almost all South East Asia countries, particularly in Indonesia, Vietnam, Malaysia and Thailand, and other Asian countries such as Sri Lanka. His development sector experience spans from the transport, electricity, healthcare, education, tourism, to poverty eradication and community development. Mr. Yano worked not only with the Japanese government agencies, but also extensively with the World Bank, Asian Development Bank, UN Organisations such as the United Nations Development Programme, and many bilateral government agencies around the world. He was also working on international merger and acquisition deals during his time with Baring Brothers & Co., a major U.K. merchant bank. Mr. Yano began his boutique firm in the early 1990s to focus on the Asia Pacific and Europe, and in 2001, he moved his base from Hanoi to Singapore.

Mr. Yano has been working extensively with the cross-border business and investment throughout his career, especially in the areas of international business development, partnership and alliance building, mergers and acquisitions, venture business support, and problem-solving. He has advised over 400 companies mainly in the Asia Pacific, where he also provided lectures, seminars, and training programmes to and in numerous companies and university classes. He is a director of Crossborder Pte. Ltd. and also holds positions of non-executive director with private companies and of advisor with listed companies in this region.

(vii) Resolution 10 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue Shares and make or grant Instruments convertible into Shares and to issue shares pursuant to such Instruments, up to a maximum of fifty percent (50%) of the issued share capital of the Company (of which the aggregate number of Shares and convertible securities to be issued other than on a pro rata basis to existing shareholders shall not exceed twenty percent (20%) of the issued share capital of the Company) for such purposes as they consider would be in the interests of the Company.

(viii) Resolution 11 proposed above, if passed, will empower the Directors of the Company, to grant awards and to allot and issue shares in accordance with the PSP.

(ix) Please refer to the Letter to Shareholders dated 9 October 2019 ("Letter") for more details on the Renewal of Share Purchase Mandate.

(x) Please refer to the Letter for more details on the Renewal of Interested Persons Transactions General Mandate.

## Notes:

(a) 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.

(b) 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.

(c) 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 Annual General Meeting.

(d) 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.

(e) 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 Annual General Meeting.

(f) The Depositor's name must appear on the Depository Register maintained by the Central Depository (Pte) Limited as at 72 hours before the time appointed for holding the Annual General Meeting in order for the Depositor to be entitled to attend and vote at the Annual General Meeting.

## Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual 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 Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual 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 shareholders discloses the personal data of the shareholder's proxy(ies) and/or representative(s) to the Company (or its agents), the shareholders 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 shareholders 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.

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Cover – Novoluxe Nordic White, 235gsm
Review pages – Munken Kristall, 150gsm
Financial pages – Green Forest, 100 gsm
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