

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

**RESPONSE TO SGX QUERIES ON  
HALF YEARLY RESULTS ANNOUNCEMENT  
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2020**

The Board of Directors (the “**Board**”) of Silverlake Axis Ltd (the “**Company**” and together with its subsidiaries, the “**Group**” or “**SAL Group**”) would like to announce the response to queries from Singapore Exchange Securities Trading Limited (“SGX-ST”) in relation to the Group’s Half Yearly Results Announcement for the financial period ended 31 December 2020 released on 10 February 2021.

**Query No. 1:**

Please elaborate on why the company has incurred a higher income tax expense despite recording lower profit for the period.

**Response:**

The Group’s income tax expense comprises the following components:

	<b>1H FY2021 RM</b>	<b>1H FY2020 RM</b>	<b>Change</b>
Current income tax (“CIT”) (Note (i))	24,045,414	27,177,370	-12%
Deferred tax (“DT”) (Note (ii))	8,555,728	646,460	1223%
Foreign and withholding tax (“FWHT”) (Note (iii))	5,276,472	4,964,326	6%
<b>Total income tax expense</b>	<b>37,877,614</b>	<b>32,788,156</b>	<b>16%</b>
% of CIT over Group’s Profit Before Tax	23%	20%	3%
% of DT over Group’s Profit Before Tax	8%	1%	7%
% of CIT and DT over Group’s Profit Before Tax	31%	21%	10%

- (i) CIT is the amount expected to be incurred and paid to the taxation authority for taxable income generated during the period. The effective CIT rate increased from 20% in 1H FY2020 to 23% in 1H FY2021 mainly due to the expiry of pioneer status of a Malaysian subsidiary during Q1 FY2020.
- (ii) DT expense increased from RM0.6 million in 1H FY2020 to RM8.6 million in 1H FY2021, mainly due to the reversal of DT assets recognised in previous financial years on:
- unutilised tax losses whereby a subsidiary has utilised the carried forward tax losses against taxable profit generated in FY2021 resulting in the reduction of such tax losses carried forward available in future periods.
  - contract liabilities for a subsidiary with expired pioneer status. The subsidiary had recognised advance maintenance fees as revenue in 1H FY2021 as services were performed over that period. No such reversal of DT assets occurred in 1H FY2020 since the profits were still tax-exempted during pioneer status. Since the expiry of pioneer status, the advanced maintenance fees are now taxable.
- (iii) FWHT is the tax levied on foreign sourced income as the Group secured contracts with customers from various foreign jurisdictions.

**Query No. 2:**

The Group recorded a significant foreign currency translation loss of RM24.09 million. Please disclose the nature of the material underlying items for both the forex gain and forex loss, the currencies involved and the relevant exchange rates.

**Response:**

Foreign Currency Translation Reserve ("FX Reserve") decreased from RM42.6 million as at 30 June 2020 to RM18.5 million as at 31 December 2020.

The movement in FX Reserve represents exchange differences arising from the translation of financial statements of foreign operations/subsidiaries whose functional currencies are different from that of the Group's presentation currency i.e., Ringgit Malaysia ("RM").

As a result of the weakening of United States Dollar ("USD") and Hong Kong Dollar ("HKD") against RM by approximately 6% as at 1H FY2021 compared to the previous financial year i.e., Q4 FY2020, the Group recognised a foreign currency translation loss of RM24.1 million in Other Comprehensive Income for the financial period ended 31 December 2020.

Relevant Foreign Exchange Rates for reference:

**Q2 FY2021** RM4.01/USD **Q4 FY2020** RM4.28/USD  
**Q2 FY2021** RM0.52/HKD **Q4 FY2020** RM0.55/HKD

**Query No. 3:**

The Group recorded a fair value loss of RM17.18 million in equity investments for 6 months ended 31 December 2020 which is significant compared to the total comprehensive income for the period of RM28.02 million. Please provide a breakdown and description of these underlying equity investments.

**Response:**

This equity investment represents the Group's equity interest in Global InfoTech Co. Ltd. ("GIT") listed on ChiNext of the Shenzhen Stock Exchange. This has been remeasured at fair value and such changes in fair value are taken to Other Comprehensive Income as prescribed by IFRS 9.

There was no change in the number of shares held since the end of the previous financial year and the number of shares held as at 31 December 2020 remain at 37.1 million shares.

Despite this, the Group's investment in GIT has decreased from RM310.2 million as at 30 June 2020 to RM275.1 million and the movements are presented below:

	<b>As at 31-Dec-20</b>
	<b>RM</b>
At beginning of the year	310,166,620
Subsequent fair value loss through other comprehensive income (Note (i))	(17,178,588)
Currency translation differences (Note (ii))	(17,900,572)
At end of the year	<u>275,087,460</u>

(i) The Group recognised RM17.2 million unrealised fair value loss. The loss was a result of GIT's share price movement from RMB13.88 per share as at 30 June 2020 to RMB12.07 per share as at 31 December 2020 or -13%.

(ii) This investment is held by the Group through a subsidiary incorporated in Hong Kong, Silver Team Technology Limited ("STTL"), therefore any currency translation differences arising from the translation of financial statements of STTL from Hong Kong Dollar ("HKD") to the Group's presentation currency i.e., Ringgit Malaysia ("RM") is recognised in Foreign Currency Translation Reserve ("FX Reserve").

As a result of the weakening of HKD against RM by 6% as at 1H FY2021 compared to the previous financial year i.e., Q4 FY2020, the Group recognised the corresponding foreign currency translation loss in Equity – FX Reserve as at 31 December 2020.

**BY ORDER OF THE BOARD**

Andrew Tan Teik Wei  
Group Managing Director

24 February 2021