



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

PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID UP CAPITAL OF THE TARGET ENTITIES (AS DEFINED BELOW)

1. INTRODUCTION

- 1.1 The Board of Directors ("**Board**") of Silverlake Axis Ltd ("**Company**") refers to the Company's announcement of 8 March 2017, wherein it was announced that the Company's Executive Chairman and ultimate controlling shareholder, Mr Goh Peng Ooi ("**GPO**"), had invited the Company to express its interest to acquire GPO's shareholding interests in various private entities ("**SPEs**") which are also controlled by GPO but do not form part of the Company's group ("**Group**").
- 1.2 The Board wishes to announce that the Company has, on 20 October 2017, entered into a share sale and purchase agreement ("**SPA**") with GPO and various other persons, as named in Schedule 1 to the SPA ("**Minority Sellers**", and together with GPO, the "**Sellers**"), to, *inter alia*, acquire the entire issued and paid-up share capital of the following three (3) SPEs ("**Sale Shares**", and such acquisition, the "**Share Acquisition**"):
- (a) Silverlake Digital Economy Sdn Bhd ("**SDE**");
 - (b) Silverlake Digitale Sdn Bhd ("**SDS**"); and
 - (c) Silverlake One Paradigm Sdn Bhd ("**SOP**"),
- collectively, the "**Target Entities**", further details of which are set out in Paragraph 2 below.

2. BACKGROUND INFORMATION ON THE TARGET ENTITIES

2.1 SDE

SDE was incorporated, in Malaysia, on 8 November 2011, and granted Multimedia Super Corridor ("**MSC**") status in Malaysia, by the Malaysian Digital Economy Corporation ("**MDeC**"), on 9 March 2012.

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

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

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

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

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

A summary of SDE's historical financial information for financial years ended 31 December ("**SDE FY**") 2014, 2015 and 2016 is set out below:

(RM)	SDE FY2014 (Audited)	SDE FY2015 (Audited)	SDE FY2016 (Audited)
Revenue	3,204,922	12,408,562	29,476,417
Gross Profit	1,859,444	7,860,500	14,622,545
Profit/(Loss) Before Tax	(1,606,793)	4,621,909	11,067,526
Profit/(Loss) After Tax	(1,013,138)	4,621,909	11,006,090 ⁽¹⁾

Note:

- ⁽¹⁾ After taking into account staff and other expense which would be taken on by SDE after completion of the Proposed Acquisition, the adjusted profit after tax for SDE FY2016 is approximately RM8,536,000

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

(RM)	As at 31 December 2016 (Audited)
Assets	
Non-current assets	9,522,483
Current assets	8,017,790
Total assets	17,540,273
Liabilities	
Non-current liabilities	120,502
Current liabilities	5,727,073
Total Liabilities	5,847,575
Net Assets	11,692,698
Total Equity	11,692,698

2.2 SDS

SDS was incorporated, in Malaysia, on 22 January 1996, and commenced its current business activities in July 2015.

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

Some of the IntelliSuite solutions and capabilities include the following:

- (a) the IntelliPayz solution suite, relating to consumer lifestyle and retail payments;
- (b) the IntelliHubz solution suite, relating to business-to business, wholesale and corporate, financing and payments; and
- (c) the IntelliSwitchz solution suite, comprising a payments switch to facilitate international, regional and national transaction switching capabilities.

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

A summary of SDS's historical financial information for financial years ended 31 December ("SDS FY") 2014, 2015 and 2016 is set out below:

(RM)	SDS FY2014 (Audited)	SDS FY2015 (Audited)	SDS FY2016 (Audited)
Revenue	2,488,802	13,777,172	19,723,335
Gross Profit	839,223	6,783,455	11,111,174
Profit Before Tax	416,187	5,288,075	8,031,249
Profit After Tax	428,104	3,597,504	6,477,013 ⁽¹⁾

Note:

⁽¹⁾ After taking into account staff expense which would be taken on by SDS after completion of the Proposed Acquisition, the adjusted profit after tax for SDS FY2016 is approximately RM5,823,000

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

(RM)	As at 31 December 2016 (Audited)
Assets	
Non-current assets	2,303,385
Current assets	11,441,725
Total assets	13,745,110
Liabilities	
Non-current liabilities	472,467
Current liabilities	2,904,715
Total Liabilities	3,377,182
Net Assets	10,367,928
Total Equity	10,367,928

2.3 SOP

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

SOP has designed and developed a suite of agile rules-based applications and tools, called 'NowSuite', that has been configured using proven industry specific rule models and is designed to add value to core systems, including the Company's SIBS core-banking software, the SDS' core payments modules and other third party core systems, whether or not in the banking sector.

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

A summary of SOP's historical financial information for financial years ended 31 December ("SOP FY") 2014, 2015 and 2016 is set out below:

(RM)	SOP FY2014 (Audited)	SOP FY2015 (Audited)	SOP FY2016 (Audited)
Revenue	-	-	4,402,841
Gross Profit	-	-	3,768,285
Profit/(Loss) Before Tax	(2,072)	(135,241)	2,630,102
Profit/(Loss) After Tax	(2,072)	(135,241)	2,607,830 ⁽¹⁾

Note:

⁽¹⁾ After taking into account staff expense which would be taken on by SOP after completion of the Proposed Acquisition, the adjusted profit after tax for SDS FY2016 is approximately RM1,804,000

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

(RM)	As at 31 December 2016 (Audited)
Assets	
Non-current assets	1,110,575
Current assets	2,029,024
Total assets	3,139,599
Liabilities	
Non-current liabilities	-
Current liabilities	885,548
Total Liabilities	885,548
Net Assets	2,254,051
Total Equity	2,254,051

3. SALIENT TERMS OF THE SPA

3.1 Details of the Sellers

- (a) GPO controls 70% of the issued share capital of each of the Target Entities through his wholly-owned, intermediate holding company, Silverlake Investment Ltd. ("SIL"), as further detailed below:
- (i) SDE: 70,000 ordinary shares;
 - (ii) SDS: 16,800 ordinary shares; and
 - (iii) SOP: 14,002 ordinary shares.

- (b) The Minority Sellers variously comprise the remaining shareholders of each of the Target Entities, as follows:
 - (i) Choo Soo Ching @ Cha Boo @ Choo Joo Di holds the remaining 30% of the issued share capital of SDE, comprising 30,000 ordinary shares ("**SDE Minority Shares**");
 - (ii) Wong Horn Lim, Yew Chun Kiat and Lim Ep Ban hold the remaining 30% of the issued share capital of SDS ("**SDS Minority Shares**"), in equal proportions, i.e. comprising 2,400 ordinary shares each; and
 - (iii) Wong Horn Lim, Yew Chun Kiat and Lim Ep Ban also hold the remaining 30% of the issued share capital of SOP ("**SOP Minority Shares**"), in equal proportions, i.e. comprising 2,000 ordinary shares each.
- (c) The Company's acquisition of GPO's interest in the Target Entities is intended to be effected by way of the Company's acquisition of the entire issued share capital of SIL.
- (d) Completion of the Company's acquisition of the Sale Shares from each of the Sellers is conditional upon the completion of the Company's acquisition of all of the Sale Shares from each of the Sellers.

3.2 Consideration

The consideration for the purchase of the Sale Shares ("**Consideration**") shall be satisfied by the Company paying the Sellers:

- (a) a base consideration ("**Base Consideration**"); and
- (b) an earn-out consideration ("**Earn-Out Consideration**"),

in the manner detailed below.

The Consideration was arrived at taking into account, *inter alia*, the operating track record and the future potential of the Target Entities. The Consideration is also directly linked to the Adjusted NPAT (as defined below) and Average Adjusted NPAT (as defined below) of the Target Entities, as further described below.

3.3 Base Consideration

- (a) The Base Consideration for:
 - (i) the SDE Acquisition shall be RM93,893,801, comprising an amount equal to 11 times the Adjusted NPAT of SDE for Target FY2016 ("**SDE Base Consideration**");
 - (ii) the SDS Acquisition shall be RM46,587,566, comprising an aggregate amount equal to 8 times the Adjusted NPAT of SDS for Target FY2016 ("**SDS Base Consideration**"); and
 - (iii) the SOP Acquisition shall be RM14,434,352, comprising an aggregate amount equal to 8 times the Adjusted NPAT of SOP for Target FY2016 ("**SOP Base Consideration**").

- (b) The Base Consideration shall be satisfied by the allotment and issue by the Company to and Sellers, or their respective nominee(s), in proportion to their respective shareholdings in the Target Entities, of new ordinary shares in the capital of the Company ("**Shares**"), at an issue price of S\$0.71 per Share ("**Base Consideration Shares**"), applying the closing S\$ to RM exchange rate quoted by Bloomberg on 19 October 2017, being the business day immediately preceding the date of execution of the SPA, of S\$1 to RM3.1122.
- (c) The Base Consideration Shares shall rank *pari passu* in all respects with the existing Shares, save that they will not rank for any dividend, distribution or other entitlement the record date of which falls before the completion date for the Share Acquisition ("**Completion Date**").

3.4 Earn-Out Consideration

- (a) No Earn-Out Consideration shall be payable by the Company in respect of any Target Entity unless the relevant Target Entity has achieved an average year-on-year percentile increase in its Adjusted NPAT ("**Average % Growth**"), over the period comprising:
 - (i) the financial year of each of the Target Entities, commencing 1 January 2016 and ending 31 December 2016 ("**Target FY2016**");
 - (ii) the annualised 18 months financial period of each of the Target Entities, commencing 1 January 2017 and ending 30 June 2018 ("**Target FY2018**");
 - (iii) the financial year of each of the Target Entities, commencing 1 July 2018 and ending 30 June 2019 ("**Target FY2019**"); and
 - (iv) the financial year of each of the Target Entities, commencing 1 July 2019 and ending 30 June 2020 ("**Target FY2020**"),

collectively, the "**Target Growth Reference Period**", of at least 25%.

- (b) Subject to the above, an Earn-Out Consideration will be payable by the Company in respect of each Target Entity, based on an agreed multiple of the average Adjusted NPAT of the relevant Target Entity ("**Average Adjusted NPAT**"), over the period comprising Target FY2018, Target FY2019 and Target FY2020 ("**Earn-Out Reference Period**"), as referred to below, less the applicable Base Consideration, provided always that the aggregate Consideration payable by the Company for the Share Acquisition shall, in no event, exceed 25% of the Company's market capitalisation as at the date of the SPA ("**Consideration Cap**"), applying the agreed issue price of S\$0.71 per Share ("**Agreed Issue Price**");

(i) SDE Acquisition

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

(ii) SDS Acquisition

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

(iii) SOP Acquisition

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

- (c) Where applicable, the Earn-Out Consideration shall be apportioned between the relevant Sellers applying the same principles used in the apportionment of the Base Consideration.
- (d) The Sellers' entitlement to the Earn-Out Consideration, if any, will be determined as soon as practicable following the issuance of the audited financial statements of each of the Target Entities for Target FY2020, provided always that the Company shall notify the Sellers of the results of the assessment within no later than seven (7) days of the issuance of the relevant audited financial statements ("**Company Notification**"). In the event of any dispute by the Sellers, the quantification shall be resolved by an independent accounting firm of repute to be mutually agreed by the Parties.
- (e) For purposes of determining the Sellers' entitlements under the Earn-Out Consideration, the closing S\$ to RM exchange rate as quoted by Bloomberg on the business day immediately preceding the date of the Company Notification shall apply.
- (f) Each Seller entitled to any Earn-Out Consideration payment shall have the option of requiring the Company to effect such payment in cash ("**Cash Option**"), on the following terms:
- (i) the Cash Option may be exercised by the applicable Seller with respect to the Earn-Out Consideration payable in respect of any applicable Target Entity, upon giving written notice to that effect to the Company, within no later than two (2) weeks of receipt of the Company Notification ("**Cash Option Exercise Period**"), failing which it will lapse;

- (ii) if the Cash Option is exercised, the Company shall have up to six (6) months from the expiry of the Cash Option Exercise Period (“**Funding Period**”) to source for and/ or otherwise secure the relevant funds to make the full payment, provided always that the Company shall only be required to do so at reasonable cost and effort;
- (iii) if the Company is able to source for and/ or otherwise secure the relevant funds to make full payment within the Funding Period, the Company shall make payment to the applicable Seller(s) in accordance with the terms of the SPA;
- (iv) if the Company is unable to source for and/ or otherwise secure the relevant funds to make full payment within the Funding Period, the Company shall have the option of:
 - (1) partially settling the Earn-Out Consideration, in cash, based on such funds as are readily available to the Company, in proportion to the aggregate amounts payable to each applicable Seller; and
 - (2) settling the balance portion of the Earn-Out Consideration in Shares, in accordance with Paragraph 3.4(g) below.
- (g) If:
 - (i) the Cash Option is not exercised by any applicable Seller with respect to the Earn-Out Consideration payable in respect of any applicable Target Entity; or
 - (ii) the Cash Option is exercised by any Seller but the Company is unable to fully settle the relevant payment,

the Earn-Out Consideration payable by the Company to such Seller in respect of the applicable Target Entity, or the balance Earn-Out Consideration payable by the Company to such Seller in respect of any applicable Target Entity, as the case may be, shall be satisfied by the issue and allotment by the Company to the relevant Seller, or his nominee(s), of new Shares (“**Earn-Out Consideration Shares**”), at the higher of the Agreed Issue Price or the average volume weighted average price of the Shares over the five (5) market days immediately preceding the date of the Company Notification.

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

3.5 Ancillary Agreements

- (a) In connection with the Share Acquisition, each of the Target Entities will enter into:
 - (i) a transitional services agreement (“**TSA**”) with Silverlake Sprints Sdn Bhd (“**SPRINTS**”), for its continued provision of backend administration and support services to the Target Entities and the continued lease of office premises to each of SDS and SOP, post-completion of the Share Acquisition; and
 - (ii) an agreement with Silverlake Symmetry and Technology Research Sdn Bhd (“**SSTR**”) for the continued grant of a licence of the Symmetry Software (as defined in the SPA) to each of the Target Entities for use in connection with their respective business operations (“**Symmetry Licence**”),

collectively, the “**Ancillary Agreements**”, and together with the Share Acquisition, the “**Transaction**”.

- (b) The TSA shall be entered into on the following terms:
 - (i) the backend administrative and support services shall be provided for an initial period of 6 months, with an option on the part of the relevant Target Entity to renew the term for an additional 6 months (“**Term**”), at a prescribed annual fee, to be payable on a monthly basis, in arrears; and
 - (ii) the leases of the office premises for each of SDS and SOP shall continue on the existing rental terms, throughout the Term.
- (c) The Symmetry Licence shall be entered into on the following terms:
 - (i) the licence shall be on a non-exclusive, sub-licensable basis and perpetual basis, provided that either party may terminate the same, upon 6 months written notice, following the expiry of the first 10 years from its date of execution (“**Royalty Free Period**”);
 - (ii) no licence fee shall be payable in respect of any clients acquired by the relevant Target Entity within the Royalty Free Period; and
 - (iii) following the expiry of the Royalty Free Period, a licence fee shall be payable by the relevant Target Entity to SSTR, at the prescribed rate, in respect of new clients acquired by the relevant Target Entity (“**New Clients**”), provided that such payment shall, if required, be subject to the approval of the minority shareholders of the Company (“**Minority Shareholders**”) at the material time.

3.6 Conditions Precedent

Completion of the Company's acquisition of the SIL Shares is conditional upon the fulfilment, or waiver by the Company, in writing, as the case may be, of, *inter alia*, the following conditions:

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

having jurisdiction over the matter;

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

meet the minimum amount required by such Target Entity to enable it to meet its working capital requirements for at least two (2) months post-Completion ("**Working Capital Requirement**"), which amount shall in any case be no less than the amount specified below:

- (i) SDE: RM3.4 million;
- (ii) SDS: RM2.8 million; and
- (iii) SOP: RM0.6 million.

If any of the above conditions is not fulfilled, or otherwise waived by the Company, in writing, within six (6) months from the date of execution of the SPA, or such other date as the Company and the Sellers may agree, in writing, the Company shall be entitled, upon written notice to the Sellers, to forthwith terminate the SPA.

3.7 SIL Restructuring

Under the terms of the SPA, GPO represents, warrants and undertakes to and covenants with the Company that he will, as soon as practicable following the execution of the SPA, take all necessary steps, at his own cost, to procure that, as at Completion, SIL shall have:

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

("SIL Restructuring").

3.8 Parting Dividend

Subject to compliance with the Companies Act 2016 of Malaysia, the relevant Target Entity may, prior to Completion, declare a special net dividend ("**Parting Dividend**") in an amount not exceeding the aggregate of its cash and cash equivalents and its trade and other receivables collected prior to Completion, less the aggregate of its current trade and non-trade liabilities and Working Capital Requirement, all as based on its audited financial statements for Target FY2016 and subject to satisfying its obligations under the conditions referred to in paragraphs 3.6(k) and 3.6(o) above of this announcement, using such cash and cash equivalents as of Completion.

3.9 Non-Compete Provisions

GPO, the SDE Minority Seller, each of the SDS Minority Sellers and each of the SOP Minority Sellers, agree and undertake to the Company that, in conjunction with the Share Acquisition and with effect from Completion, they will not, directly or indirectly, either on their own account or in conjunction with or on behalf of any other person, firm or company:

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

GPO further warrants and undertakes to the Company that, with effect from Completion, none of the Silverlake private entities shall:

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

4. **RATIONALE FOR THE TRANSACTION**

Financial technology (Fintech) is a broad sector, with a long history.

As far back as 1989, the Company endeavoured to start its own Fintech revolution, in South East Asia, by applying a ‘mathematical core’ approach to the banking industry and, today, the Company has grown to become the region’s leading and most successful core-banking solution provider.

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

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

SDE Acquisition

As stated earlier, following its incorporation in 2011, SDE has designed and developed a digital banking platform, which provides a one-stop solution for banks seeking to transform from a traditional operating model to a digital banking model, helping them to better position themselves to compete against new Fintech entrants, with lower cost-to-income ratios.

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

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

SDS and SOP Acquisitions

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

SDS operates in all three of these areas. Since it commenced operations in 2015, SDS' IntelliSuite solutions have been continually evolving, in line with market requirements. In particular:

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

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

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

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

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

Rationale for the Ancillary Agreements

SPRINTS has been providing various administrative, financial and/or operational support services, together with services reasonably ancillary or intrinsic thereto, to each of the Target Entities in connection with their on-going business operations. In addition, SDS and SOP have been leasing

office premises from SPRINTS. With a view to enable the Target Entities to carry on their business as usual, it is intended that SPRINTS continue to provide the backend administration and support services to these Target Entities as well as to continue leasing the office premises to SDS and SOP, in accordance with the terms of a transitional services agreement.

SSTR is the owner of the proprietary, rule-based suite of software programmes and/or applications legally and beneficially owned by SSTR, and marketed under the product name 'S2 Symmetry Product Suite – Sheaf Rules' ("**Symmetry Software**"). SSTR is desirous of exploring new ways to add value to the Symmetry Software, as well as avenues for its commercial exploitation, whereas each of the Target Entities is desirous of developing the Symmetry Software together with proprietary products owned and developed by the Target Entities. As such, the entry into the Symmetry Licence between SSTR and each of the Target Entities will provide a good opportunity for SSTR and each of the Target Entities to collaborate.

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

5. LISTING MANUAL REQUIREMENTS

5.1 Interested Person Transactions

- (a) GPO is the Executive Chairman and ultimate controlling shareholder of the Company and an "interested person" within the meaning of Chapter 9 of the listing manual of the SGX-ST ("**Listing Manual**").
- (b) GPO is also the controlling shareholder of the Target Entities, as well as of SPRINTS and SSTR.
- (c) The proposed acquisition of the SIL Shares by the Company, the issue of the Base Consideration Shares and the Earn-Out Consideration Shares (collectively, the "**Consideration Shares**") by the Company, where applicable, to GPO, as well as the entry into of the Ancillary Agreements between the Target Entities and SPRINTS, on completion, amount to interested person transactions, as defined under Chapter 9 of the Listing Manual.
- (d) Based solely on the Base Consideration, the aggregate consideration payable to GPO for the acquisition of his interest in the Target Entities is already approximately S\$34.84 million (applying the closing S\$ to RM exchange rate of S\$1 to RM3.1122, as quoted by Bloomberg on 19 October 2017), representing approximately 11.22% of the latest audited consolidated net tangible assets of the Group, amounting to RM966.25 million, approximately S\$310.47 million (applying the closing S\$ to RM exchange rate of S\$1 to RM3.1122), as at 30 June 2017 ("**2017 Group NTA**"), as disclosed in the audited consolidated financial statements of the Group for the financial year ended 30 June 2017 ("**FY2017**"). As this aggregate value is more than 5% of the 2017 Group NTA, the approval of the Minority Shareholders for the execution is required for purposes of Chapter 9 of the Listing Manual.
- (e) In addition, the proposed issue of the relevant portion of the Consideration Shares to GPO, being a controlling shareholder of the Company, requires the approval of the Minority Shareholders of the Company pursuant to Chapter 8 of the Listing Manual.

5.2 Major Acquisition

- (a) Taking into account the Earn-Out Consideration component, as well as the Consideration Cap, the Share Acquisition may also amount to a major transaction, as defined under Chapter 10 of the Listing Manual, requiring the specific approval of the shareholders of the Company (“**Shareholders**”), with GPO and his associates abstaining from voting.
- (b) Assuming the Consideration Cap is achieved, the relative figures for the Share Acquisition, computed on the bases set out in Rule 1006 of the Listing Manual, are as follows:

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

Notes:

- (1) Based on SDE’s Net Profits of RM11.07 million, SDS’ Net Profits of RM8.03 million and SOP’s Net Profits of RM2.63 million for Target FY2016 and the Group’s Net Profits of RM153.54 million for FY2017 after deducting the Group’s extraordinary gains in aggregate amounting to RM793.95 million arising from disposal of shares in Global InfoTech Ltd. (“**GIT**”), re-measurement of retained interest in GIT to fair value and dilution of interest from GIT’s issuance of new shares as part consideration for its acquisition of a subsidiary and private placement.
- (2) Based on the maximum amount of consideration payable for the Proposed Acquisition, being S\$469.77 million. The market capitalisation of the Company was determined by multiplying 2,646,617,600, being the number of issued shares (excluding Treasury Shares) of the Company, by S\$0.5908, being the weighted average price per share transacted on 19 October 2017, the market day immediately preceding the date of the agreement.
- (3) Based on the issuance of 661,654,400 shares in the Company, being the maximum number of shares which may be issued to the Sellers in satisfaction of the consideration for the Proposed Acquisition.
- (c) Based on the audited financial statements of the Target Entities as at 31 December 2016, (i) the net asset value of the Sale Shares is approximately RM24.31 million (approximately S\$7.81 million, based on the exchange rate of S\$1:RM3.1122), and (ii) the Net Profits attributable to the Sale Shares is approximately RM21.73 million (approximately S\$6.98 million, based on the exchange rate of S\$1:RM3.1122).

5.3 Rule 704(17)(c) of the Listing Manual

Upon completion of the Share Acquisition, the Target Entities will become wholly-owned subsidiaries of the Company.

6. FINANCIAL EFFECTS OF THE SHARE ACQUISITION

6.1 Bases and Assumptions

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

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

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

Note:

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

6.2 Share Capital

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

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

Notes:

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

- (3) Share Premium is computed based on the Share Premium as at 30 June 2017 and the share premium arising from the issuance of the new ordinary shares, at S\$0.71 per Share, comparing with the Par Value at the exchange rate of USD1:S\$1.3572 and S\$1:RM3.1122.

6.3 Net Assets Value per Share (“NAV”)

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

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

Notes:

- (1) Consolidated NAV per Share is computed based on the Consolidated NAV and assuming the Consideration Cap applies, the maximum Earn-Out Consideration of approximately RM1,009.33 million would be recognised as a contingent consideration under the Group’s liabilities and a negative merger reserve of approximately RM1,163.21 million would be recognized on the Group’s equity.
- (2) In order to achieve the Consideration Cap, the Average Adjusted NPAT for SDE, SDS and SOP over the Earn-Out Reference Period would have to be approximately RM57.96 million, RM39.54 million and RM12.25 million respectively and the cumulative NPAT of the Target Entities over a three (3) year period would in aggregate be approximately RM329.28 million which has not been included in the calculation of the Group’s NAV after Share Acquisition.
- (3) Assuming a parting dividend of approximately RM5.99 million would be paid out from the Target Entities.

6.4 Net Tangible Assets (“NTA”) per Share

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

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

Notes:

- (1) Consolidated NTA per Share is computed based on the consolidated NTA and assuming the Consideration Cap applies, the maximum Earn-Out Consideration of approximately RM1,009.33 million

would be recognised as a contingent consideration under the Group's liabilities and a negative merger reserve of approximately RM1,163.21 million would be recognized in the Group's equity.

- (2) In order to achieve the Consideration Cap, the Average Adjusted NPAT for SDE, SDS and SOP over the Earn-Out Reference Period would have to be approximately RM57.96 million, RM39.54 million and RM12.25 million respectively and the cumulative NPAT of the Target Entities over a three (3) year period would in aggregate be approximately RM329.28 million which has not been included in the calculation of the Group's NTA after Share Acquisition.
- (3) Assuming a parting dividend of approximately RM5.99 million would be paid out from the Target Entities.

6.5 Earnings per Share ("EPS")

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

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

Note:

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

7. **FINANCIAL ADVISER**

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

8. **INDEPENDENT FINANCIAL ADVISER**

The Company has appointed Deloitte & Touche Corporate Finance Pte Ltd as its independent financial adviser ("**IFA**") to advise the directors who are considered independent of the Share Acquisition and Ancillary Agreements ("**Independent Directors**") and the audit committee of the Company ("**Audit Committee**") as to whether the financial terms of the Share Acquisition and Ancillary Agreements are on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

A copy of the letter from the IFA to the Independent Directors and the Audit Committee will be set out in the circular ("**Circular**") to be despatched to Shareholders in due course and Shareholders are advised to read the letter carefully.

9. AUDIT COMMITTEE STATEMENT

The Audit Committee will obtain the IFA's opinion before forming its view, which will be disclosed in the Circular, as to whether the Share Acquisition and Ancillary Agreements are on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

10. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

As disclosed under Paragraph 5 of this announcement, GPO is the Executive Chairman and ultimate controlling shareholder of the Company and, accordingly, an "interested person" within the meaning of Chapter 9 of the Listing Manual with respect to the Share Acquisition and Ancillary Agreements. Ms Goh Shiou Ling, a non-executive director of the Company, is the daughter, and accordingly an associate, of GPO. GPO and his associates will abstain from voting on the resolutions in respect of the Share Acquisition and Ancillary Agreements. Furthermore, GPO and his associates shall not act as proxies for any Shareholder in respect in relation to such resolutions unless specific voting instructions have been given by the relevant Shareholder.

Save as disclosed in this announcement, none of the other directors or controlling shareholders of the Company has any interest, direct or indirect, in the Share Acquisition or Ancillary Agreements, other than through their respective shareholdings in the Company (if any).

11. SERVICE AGREEMENTS

No person is proposed to be appointed as a director of the Company in connection with the Share Acquisition or Ancillary Agreements.

For completeness of disclosure, as one of the condition precedents to completion of the Company's acquisition of the SIL Shares, service agreements will be entered into between each of the Key Executives and the relevant Target Entity, as disclosed under Paragraph 3.6(l) of this announcement.

12. FURTHER INFORMATION

The Company will convene a special general meeting to seek Shareholders' approval for the Share Acquisition and Ancillary Agreements and a circular containing the details of these transactions will be dispatched to Shareholders in due course.

The Company will be applying for the Base Consideration Shares to be admitted to, and listed for quotation on the SGX-ST and will make the necessary announcement(s) upon receipt of the approval-in-principal from the SGX-ST for the listing and quotation of the Base Consideration Shares. The Company will also make such other announcements relating to the aforesaid matters, as and when necessary.

13. CAUTION IN TRADING

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

14. DOCUMENT FOR INSPECTION

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

By Order of the Board

Dr Kwong Yong Sin
Group Managing Director
20 October 2017