

Issuer: Silverlake Axis Ltd

Security: Silverlake Axis Ltd

Meeting details:

Date: 26 October 2017

Time: 10.00 a.m.

Venue: Capricorn & Leo, Level 1, Marina Mandarin Singapore, 6 Raffles Boulevard, Marina Square, Singapore 039594

Company Description

Silverlake Axis Ltd., an investment holding company, provides digital economy solutions and services to the banking, insurance, payment, retail, and logistic industries. Its solutions include Silverlake Axis integrated banking solutions, Silverlake Axis integrated Islamic banking solutions, Silverlake Axis integrated provident fund systems, Silverlake Axis cards systems, Silverlake Axis retail merchandising systems, Silverlake Axis enterprise payment platforms, Cyber Village converged Internet and mobile platforms, and Silverlake Symmetri retail banking solutions. The company also offers software project customization and implementation services to deliver end-to-end banking, payment, and retail solutions; maintenance and enhancement services; processing services for credit cards and other credit products on an outsourcing basis; and cloud computing software as a service platform for policy origination and claim processing for the insurance industry, as well as sells software and hardware products, including the resale of IBM hardware products and related system software. It operates in South East Asia, North East Asia, South Asia, the Middle East, North America, Africa, and Europe. The company was founded in 1989 and is headquartered in Petaling Jaya, Malaysia. Silverlake Axis Ltd. is a subsidiary of Intelligentsia Holding Ltd.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5CP)

Q1. As noted in the Operations review (pages 22-27 of the annual report), the Software licensing and Software project services segment reported revenue decreases of 79% and 61% respectively in 2017. The group has said that it is “cautiously optimistic” about the outlook for the software licensing business and the software services business.

- a) **To help shareholders get better visibility of the outlook, would the group consider disclosing the current software services and software licensing order books?**

The Maintenance and enhancement services business remains the group’s key revenue contributor, registering a 12% increase in revenue to RM388.7 million. The segment profit, as disclosed in Note 36 (page 157 – Segment information), was RM208.7 million.

- b) **Can management provide a breakdown of the RM388.7 million to show the proportion of maintenance services revenue and enhancement services revenue?**
- c) **How much of the revenue reported in FY2017 is recurring in nature?**
- d) **Can management elaborate further about the growth prospects, especially on its plans to acquire new customers and on how it grows its relationship with existing clients?**

Q2. During the financial year, the group sold a 11% stake in Global InfoTech Co. Ltd. (“GIT”) and raised sale proceeds (net of capital gain tax) of RM502.8 million. The group is progressively repatriating the GIT shares sale proceeds from China. As seen in Note 34 (page 151 – Foreign currency risk), the group has more than RM488 million demoninated in Chinese Renminbi held as cash and bank balances.

- a) **Can management help shareholders understand the process of repatriating cash proceeds from China to Singapore? Please let shareholders know the progress and the estimated time it would take for such repatriating applications?**
- b) **As disclosed in Note 34 (page 151), the net currency exposure to RM is RM755 million. As the group does not have significant operations in China, nor is it expected to make substantial investments in the near future, has the board considered the need to hedge its RM currency exposure?**

In addition, the group’s remaining 9.25% stake in GIT was marked-to-market and the group recognised a gain of RM295 million. As at 30 June 2017, the closing market price of GIT was RM10.67.

The group’s last disposal of GIT was made on 2 March 2017 at a price of RMB14.60 per Sale Share. On 8 March 2017, the company advised GIT that “it may sell up to 19,000,000 of its GIT Shares within the six month period commencing from 29 March 2017 i.e. after 15 business days from the GIT Announcement Date”. However, the company did not proceed with any shares sale. A further notice to GIT was given on 14 September 2017.

- c) **What is the board’s strategy to maximise the returns of the remaining stake in GIT?**
- d) **Has the board set a minimum sale price?**
- e) **Can the board elaborate further on the use of proceeds from the disposal of its GIT stake?**

Q3. In Note 8 (page 98 - Employee benefits expense (including directors’ remuneration)), it was shown that wages and salaries increased from RM143.8 million in 2016 to RM165.8 million in 2017. In a year when the group revenue declined 20% to RM506 million, this 15.3% increase in wages and salaries seems high.

- a) **Can management help shareholders understand the factors that led to the large increase in wages and salaries?**

- b) Can management elaborate further if the large increase in wages and salaries was one-off? How is the group going to better control its costs as it scales up and expands?**

Without the one-off net gains of RM426.2 million from the sale of shares of GIT and a mark-to-market accounting gain of about RM259.1 million on the remaining 9% interest in GIT, the group's profit after tax declined 41% to RM160.7 million in FY2017 from RM273.9 million in FY2016. From 2013 to 2016, the net profit has ranged from RM196.0 million to RM282.7 million.

- c) Can management elaborate further on the level of competition and how it intends to defend/increase the group's margins?**