

SILVERLAKE AXIS LTD

Second Quarter Financial Statements And Dividend Announcement For The Financial Period Ended 31 December 2018

PART 1 - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2, Q3 & Q4), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) An income statement and statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED INCOME STATEMENT

For the half year period and second quarter ended 31 December 2018

	Half year period ended 31 December			Second quarter ended 31 December		
	2018 RM	2017 RM Restated	Change %	2018 RM	2017 RM Restated	Change %
Revenue	336,169,834	263,145,235	28	168,987,009	141,378,522	20
Cost of sales	(123,190,335)	(117,843,267)	5	(60,924,292)	(59,523,231)	2
Gross profit	212,979,499	145,301,968	47	108,062,717	81,855,291	32
Other items of income						
Finance income	1,085,331	2,426,794	(55)	678,432	875,577	(23)
Other income	12,419,463	4,543,154	173	12,725,967	1,304,913	875
Other items of expenses						
Selling and distribution costs	(16,410,524)	(17,641,902)	(7)	(6,951,880)	(11,149,480)	(38)
Administrative expenses	(48,048,454)	(53,634,380)	(10)	(26,575,567)	(30,219,103)	(12)
Finance costs	(12,728,317)	(858,794)	1382	(6,479,266)	(394,049)	1544
Share of loss of a joint venture	(1,258,812)	(848,721)	48	(886,544)	(1,054,406)	(16)
Profit before tax	148,038,186	79,288,119	87	80,573,859	41,218,743	95
Income tax expense	(22,563,547)	(11,205,316)	101	(13,037,431)	(7,199,201)	81
Profit for the period	125,474,639	68,082,803	84	67,536,428	34,019,542	99
Profit for the period attributable to:						
Owners of the parent	125,479,205	68,086,992	84	67,539,964	34,028,271	98
Non-controlling interests	(4,566)	(4,189)	9	(3,536)	(8,729)	(59)
	125,474,639	68,082,803	84	67,536,428	34,019,542	99
Earnings per share attributable to owners of the parent:						
- Basic (sen)	4.73	2.58	83	2.55	1.29	98
- Diluted (sen)	4.73	2.58	83	2.54	1.29	97

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half year period and second quarter ended 31 December 2018

	Half year period ended 31 December			Second quarter ended 31 December		
	2018 RM	2017 RM Restated	Change %	2018 RM	2017 RM Restated	Change %
Profit for the period	125,474,639	68,082,803	84	67,536,428	34,019,542	99
Other comprehensive income/(loss):						
Items that may be reclassified to profit or loss in subsequent periods:						
Fair value loss on available-for-sale financial assets						
- quoted equity shares	-	(35,895,539)	(100)	-	(34,362,309)	(100)
Deferred tax relating to fair value loss on available-for-sale financial assets - quoted equity shares	-	2,869,847	(100)	-	3,077,449	(100)
Foreign currency translation gain/(loss)*	11,181,979	(27,379,889)	141	647,888	(19,488,926)	103
Share of foreign currency translation gain/(loss) of a joint venture	76,988	(24,930)	409	(91,540)	9,084	1108
	11,258,967	(60,430,511)	119	556,348	(50,764,702)	101
Items that will not be reclassified to profit or loss in subsequent periods:						
Fair value loss on financial assets - quoted equity shares**	(60,297,717)	-	N/M	(24,936,248)	-	N/M
Deferred tax relating to fair value loss on financial assets - quoted equity shares**	5,988,205	-	N/M	2,502,722	-	N/M
	(54,309,512)	-	N/M	(22,433,526)	-	N/M
Other comprehensive loss for the period, net of tax	(43,050,545)	(60,430,511)	(29)	(21,877,178)	(50,764,702)	(57)
Total comprehensive income/(loss) for the period	82,424,094	7,652,292	977	45,659,250	(16,745,160)	373
Total comprehensive income/(loss) for the period attributable to:						
Owners of the parent	82,428,660	7,656,481	977	45,662,786	(16,736,431)	373
Non-controlling interests	(4,566)	(4,189)	9	(3,536)	(8,729)	(59)
	82,424,094	7,652,292	977	45,659,250	(16,745,160)	373

* Foreign currency translation gain/(loss) represents the movement in exchange differences arising from the translation of financial statements of foreign operations whose functional currencies are different from that of the Group's reporting currency.

** The Group continues to carry and measure its investment in quoted equity shares at fair value through other comprehensive income ("FVOCI"). Under IFRS 9 effective 1 July 2018, the amounts recognised in OCI are not reclassified to profit or loss under any circumstances.

N/M = Not Meaningful

1(a)(ii) Notes to the statement of comprehensive income:
Profit before tax is arrived at after (charging)/crediting:

	Half year period ended 31 December			Second quarter ended 31 December		
	2018 RM	2017 RM Restated	Change %	2018 RM	2017 RM Restated	Change %
Amortisation of intangible assets	(8,616,048)	(8,487,715)	2	(4,278,262)	(4,343,619)	(2)
Depreciation of property, plant and equipment	(2,264,094)	(2,185,843)	4	(1,117,325)	(1,173,847)	(5)
Write off of property, plant and equipment	(282)	(6,523)	(96)	(278)	(3,790)	(93)
Net gain on disposal of property, plant and equipment**	9,030,977	79,117	11315	9,030,977	79,117	11315
Write off of intangible assets	(176,788)	-	N/M	(174,090)	-	N/M
Reversal of provision/(Provision) for foreseeable losses	232,693	(674,838)	134	114,951	(674,838)	117
Impairment loss on financial assets - trade receivables*	-	(448,104)	(100)	-	-	N/M
Bad debts written off*	(4,323)	-	N/M	199	-	N/M
Reversal of impairment loss on trade receivables**	190,061	1,388	13593	190,061	-	N/M
Waiver of debts by previous owner of a subsidiary**	-	1,052,822	(100)	-	(59,102)	(100)
Bad debts recovered**	22,000	-	N/M	22,000	-	N/M
Net foreign currency exchange gain**/(loss)*:						
- realised	2,233,135	(2,432,795)	192	3,148,021	387,368	713
- unrealised	178,636	2,022,959	(91)	(2,842,492)	(3,390,018)	(16)
Adjustments for over/(under) provision of tax in respect of prior years	238,712	72,198	231	(73,649)	72,198	202
Gain on redemption of financial assets - money market fund**	175,384	244,736	(28)	29,740	133,430	(78)
Dividend income from quoted equity investment	-	206,576	(100)	-	-	N/M
Performance shares issued	(902,086)	(2,162,058)	(58)	(451,043)	(1,081,029)	(58)
(Allowance)/Reversal of allowance for unutilised leave	(847,237)	(222,845)	280	802,182	535,883	50
Allowance for defined benefit liabilities	(612,026)	(651,805)	(6)	(307,129)	(347,052)	(12)

* Included in other operating expenses

** Included in other operating income

N/M = Not Meaningful

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

STATEMENTS OF FINANCIAL POSITION

	As at 31-Dec-18		As at 30-Jun-18	
	Group RM	Company RM	Group RM Restated	Company RM
ASSETS				
Non-current assets				
Property, plant and equipment	14,109,791	7,836	20,415,445	4,128
Intangible assets	212,439,096	-	206,719,656	-
Investments in subsidiaries	-	2,218,334,773	-	2,218,334,773
Interest in a joint venture	9,045,112	23,667,783	9,667,993	23,108,840
Deferred tax assets	16,012,938	-	16,375,321	-
	251,606,937	2,242,010,392	253,178,415	2,241,447,741
Current assets				
Trade and other receivables	148,454,212	185,530	138,714,664	144,727
Contract assets	70,808,856	-	58,285,090	-
Prepayments	3,247,238	196,486	4,351,692	197,833
Amount due from a subsidiary	-	32,024	-	15,486
Amounts due from related parties	46,965,600	-	50,027,486	-
Tax recoverable	4,393,667	-	4,317,961	-
Financial assets at fair value through other comprehensive income				
- quoted equity shares*	134,301,327	-	189,780,204	-
- money market fund*	7,242,239	-	4,559,997	-
Cash and bank balances	378,185,743	105,370,717	304,042,436	88,902,117
	793,598,882	105,784,757	754,079,530	89,260,163
Total assets	1,045,205,819	2,347,795,149	1,007,257,945	2,330,707,904
EQUITY AND LIABILITIES				
Equity				
Share capital	191,040,654	191,040,654	191,040,654	191,040,654
Share premium	234,417,308	1,702,079,469	234,417,308	1,702,079,469
Treasury shares	(77,500,826)	(77,500,826)	(68,558,076)	(68,558,076)
Foreign currency translation reserve	22,804,209	-	11,545,242	-
Capital reserve	466,828	-	466,828	-
Statutory reserve	21,819	-	21,819	-
Performance share plan reserve	6,958,560	6,958,560	6,056,474	6,056,474
Fair value reserve of financial assets at FVOCI*	(167,122,730)	-	(112,813,218)	-
Merger deficit	(476,280,829)	-	(476,280,829)	-
Retained profits	775,006,303	240,399,394	737,212,629	243,058,068
Equity attributable to owners of the parent	509,811,296	2,062,977,251	523,108,831	2,073,676,589
Non-controlling interests	70,355	-	74,921	-
Total equity	509,881,651	2,062,977,251	523,183,752	2,073,676,589
Non-current liabilities				
Loans and borrowings	2,912,363	-	2,925,844	-
Deferred tax liabilities	27,445,876	-	31,828,657	-
Other payable	245,874,962	245,874,962	233,743,461	233,743,461
Provision for defined benefit liabilities	7,251,163	-	6,906,254	-
	283,484,364	245,874,962	275,404,216	233,743,461
Current liabilities				
Trade and other payables	71,461,784	1,314,232	65,809,779	1,944,126
Contract liabilities	110,537,346	-	101,321,257	-
Provision for defined benefit liabilities	798,410	-	258,271	-
Loans and borrowings	41,874,134	30,911,100	25,363,768	20,720,000
Amount due to holding company	-	-	213,120	-
Amounts due to subsidiaries	-	6,717,604	-	623,728
Amounts due to related parties	5,839,487	-	2,510,141	-
Tax payable	21,328,643	-	13,193,641	-
	251,839,804	38,942,936	208,669,977	23,287,854
Total liabilities	535,324,168	284,817,898	484,074,193	257,031,315
Net current assets	541,759,078	66,841,821	545,409,553	65,972,309
Total equity and liabilities	1,045,205,819	2,347,795,149	1,007,257,945	2,330,707,904

* These investments were classified as available-for-sale ("AFS") financial assets in FY2018 and the cumulative fair value changes were recognised in AFS reserve. Under IFRS 9 effective 1 July 2018, the Group continues to carry and measure its investments at fair value through other comprehensive income ("FVOCI") and the amounts recognised in OCI are not reclassified to profit or loss under any circumstances.

Restatement of comparatives

(i) Acquisition of Silverlake Investment Ltd. and its subsidiaries

On 20 October 2017, the Company entered into a share sale and purchase agreement with Group Executive Chairman, Mr. Goh Peng Ooi and other minority shareholders to acquire the entire issued share capital of Silverlake Investment Ltd. and its subsidiaries ("SIL Group"). The SIL Group comprising wholly-owned subsidiaries, Silverlake Digital Economy Sdn. Bhd. ("SDE"), Silverlake Digitale Sdn. Bhd. ("SDS") and Silverlake One Paradigm Sdn. Bhd. ("SOP") variously provide the front and middle layers to enhance the Company's digital capabilities. These layers are connected into core banking systems to deliver customer digital engagement and digital experience capabilities.

The acquisition was completed on 18 April 2018 and SIL Group became a subsidiary of the Company. As this acquisition is a combination of entities under common control whereby the Company and SIL Group are under the common control of a major shareholder, the Group's financial statements have been prepared based on the pooling of interest method of accounting. Accordingly, the comparative figures for the Group's financial statements have been presented as if the Group structure immediately after the acquisition had been in existence since the earliest financial year presented.

The results of the subsidiaries that have been accounted in the consolidated income statement under the pooling of interest method are as follows:

	SIL Group			
	Half year period ended		Second quarter ended	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
	RM	RM	RM	RM
Revenue	52,778,072	24,326,749	25,909,783	11,867,784
Profit before tax	26,503,555	7,023,612	12,522,586	2,684,773
Profit/(Loss) for the period	22,057,403	3,608,757	10,343,231	(177,756)
Total assets	104,504,977	66,315,854	104,504,977	66,315,854
Total liabilities	51,556,569	29,060,090	51,556,569	29,060,090

(ii) Initial application of IFRS 15 Revenue from Contracts with Customers

The Group adopted IFRS 15 using modified retrospective method effective 1 July 2018 where the cumulative effect arising from the initial application of the standard was recognised as an adjustment to the opening retained profits as at 1 July 2018, without restatement of comparative amounts. To conform with current year's presentation, the following comparative figures have been reclassified as follows:

	As at 30-Jun-18		
	As previously reported	Re-classifications (Effect from (ii))	As restated, after re-classifications
	RM	RM	RM
Statement of financial position			
Current assets			
Amounts due from customers for contract work-in-progress*	55,829,157	(55,829,157)	-
Trade and other receivables	139,101,599	(386,935)	138,714,664
Contract assets	-	58,285,090	58,285,090
Prepayments	4,537,993	(186,301)	4,351,692
Advance maintenance costs*	1,882,697	(1,882,697)	-
Current liabilities			
Amounts due to customers for contract work-in-progress*	43,282,889	(43,282,889)	-
Trade and other payables	67,960,485	(2,150,706)	65,809,779
Contract liabilities	-	101,321,257	101,321,257
Advance maintenance fees*	55,887,662	(55,887,662)	-

* Amounts due from/(to) customers for contract work-in-progress and advance maintenance costs/fees are reclassified and presented in total as contract assets and contract liabilities respectively.

	Half year period ended			Second quarter ended		
	31-Dec-17			31-Dec-17		
	As restated	Re-classifications (Effect from (ii))	As restated, after re-classifications	As restated	Re-classifications (Effect from (ii))	As restated, after re-classifications
	RM	RM	RM	RM	RM	RM
Consolidated statement of cash flows						
Operating activities						
Changes in working capital:						
Trade and other receivables	8,751,802	(1,985,283)	6,766,519	(14,019,177)	(1,985,283)	(16,004,460)
Amounts due from/to customers for contract work-in-progress	6,704,952	(6,704,952)	-	19,050,776	(19,050,776)	-
Contract assets/liabilities	-	(11,588,356)	(11,588,356)	-	757,468	757,468
Trade and other payables	(27,909,314)	20,278,591	(7,630,723)	(18,999,188)	20,278,591	1,279,403

1(b)(ii) Aggregate amount of the group's borrowings and debt securities as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year.

Amount repayable in one year or less, or on demand

As at 31-Dec-18		As at 30-Jun-18	
Secured Group	Unsecured Group	Secured Group	Unsecured Group
RM	RM	RM	RM
1,176,575	40,697,559	4,643,768	20,720,000

Amount repayable after one year

As at 31-Dec-18		As at 30-Jun-18	
Secured Group	Unsecured Group	Secured Group	Unsecured Group
RM	RM	RM	RM
2,912,363	-	2,925,844	-

Details of any collaterals

The secured facilities of the Group comprise hire purchases and leasing which are secured by certain property, plant and equipment and intangible assets of subsidiaries with a total net carrying value of RM4,080,996 and RM103,624 respectively as at 31 December 2018 (RM4,115,380 and RM115,834 respectively as at 30 June 2018).

Due to the acquisition of SIL Group in previous financial year, the Group has additional overdraft facility secured by personal guarantee provided by a director. The personal guarantee has been discharged during the quarter and this facility is now secured by guarantee provided by the Company.

1(d)(i) Statements (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Changes in Equity for the half year period ended 31 December 2018

	Share capital	Share premium	Treasury shares	Foreign currency translation reserve	Capital reserve	Statutory reserve	Performance share plan reserve	Fair value reserve of financial assets at FVOCI	Merger deficit	Retained profits	Total	Non-controlling interests	Total equity
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Group													
As at 1-Jul-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
Adjusted balance as at 1-Jul-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 period	-	-	-	-	-	-	-	-	-	125,479,205	125,479,205	(4,566)	125,474,639
Other comprehensive loss for the period	-	-	-	11,258,967	-	-	-	(54,309,512)	-	-	(43,050,545)	-	(43,050,545)
Purchase of treasury shares	-	-	(8,942,750)	-	-	-	-	-	-	-	(8,942,750)	-	(8,942,750)
Grant of shares under Performance Share Plan	-	-	-	-	-	-	902,086	-	-	-	902,086	-	902,086
Dividends on ordinary shares	-	-	-	-	-	-	-	-	-	(88,279,725)	(88,279,725)	-	(88,279,725)
As at 31-Dec-2018	191,040,654	234,417,308	(77,500,826)	22,804,209	466,828	21,819	6,958,560	(167,122,730)	(476,280,829)	775,006,303	509,811,296	70,355	509,881,651

	Share capital	Share premium	Treasury shares	Foreign currency translation reserve	Capital reserve	Statutory reserve	Performance share plan reserve	Fair value reserve of financial assets at FVOCI	Merger deficit	Retained profits	Total	Non-controlling interests	Total equity
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Company													
As at 1-Jul-2018	191,040,654	1,702,079,469	(68,558,076)	-	-	-	6,056,474	-	-	243,058,068	2,073,676,589	-	2,073,676,589
Profit for the period	-	-	-	-	-	-	-	-	-	85,621,051	85,621,051	-	85,621,051
Purchase of treasury shares	-	-	(8,942,750)	-	-	-	-	-	-	-	(8,942,750)	-	(8,942,750)
Grant of shares under Performance Share Plan	-	-	-	-	-	-	902,086	-	-	-	902,086	-	902,086
Dividends on ordinary shares	-	-	-	-	-	-	-	-	-	(88,279,725)	(88,279,725)	-	(88,279,725)
As at 31-Dec-2018	191,040,654	1,702,079,469	(77,500,826)	-	-	-	6,958,560	-	-	240,399,394	2,062,977,251	-	2,062,977,251

Consolidated Statement of Changes in Equity for the half year period ended 31 December 2017

	Share capital	Share premium	Treasury shares	Foreign currency translation reserve	Capital reserve	Statutory reserve	Performance share plan reserve	Fair value reserve of financial assets at FVOCI	Merger deficit	Retained profits	Total	Non-controlling interests	Total equity
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Group													
As at 1-Jul-2017													
As previously reported	191,040,654	232,217,438	(86,627,098)	61,959,697	466,828	21,819	10,163,890	(87,197,439)	(119,765,286)	955,660,890	1,157,941,393	85,198	1,158,026,591
Adjustments for acquisition of subsidiaries	-	-	-	9,508	-	-	-	-	1,039,232	33,268,643	34,317,383	-	34,317,383
As at 1-Jul-2017, as restated	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 period	-	-	-	-	-	-	-	-	-	68,086,992	68,086,992	(4,189)	68,082,803
Other comprehensive loss for the period	-	-	-	(27,404,819)	-	-	-	(33,025,692)	-	-	(60,430,511)	-	(60,430,511)
Purchase of treasury shares	-	-	(55,772,369)	-	-	-	-	-	-	-	(55,772,369)	-	(55,772,369)
Grant of shares under Performance Share Plan	-	-	-	-	-	-	2,162,058	-	-	-	2,162,058	-	2,162,058
Dividends on ordinary shares	-	-	-	-	-	-	-	-	-	(277,950,870)	(277,950,870)	-	(277,950,870)
As at 31-Dec-2017	191,040,654	232,217,438	(142,399,467)	34,564,386	466,828	21,819	12,325,948	(120,223,131)	(118,726,054)	779,065,655	868,354,076	81,009	868,435,085

	Share capital	Share premium	Treasury shares	Foreign currency translation reserve	Capital reserve	Statutory reserve	Performance share plan reserve	Fair value reserve of financial assets at FVOCI	Merger deficit	Retained profits	Total	Non-controlling interests	Total equity
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Company													
As at 1-Jul-2017	191,040,654	1,668,775,194	(86,627,098)	-	-	-	10,163,890	-	-	228,794,009	2,012,146,649	-	2,012,146,649
Profit for the period	-	-	-	-	-	-	-	-	-	221,749,141	221,749,141	-	221,749,141
Purchase of treasury shares	-	-	(55,772,369)	-	-	-	-	-	-	-	(55,772,369)	-	(55,772,369)
Grant of shares under Performance Share Plan	-	-	-	-	-	-	2,162,058	-	-	-	2,162,058	-	2,162,058
Dividends on ordinary shares	-	-	-	-	-	-	-	-	-	(277,950,870)	(277,950,870)	-	(277,950,870)
As at 31-Dec-2017	191,040,654	1,668,775,194	(142,399,467)	-	-	-	12,325,948	-	-	172,592,280	1,902,334,609	-	1,902,334,609

Consolidated Statement of Changes in Equity for the second quarter ended 31 December 2018

	Share capital	Share premium	Treasury shares	Foreign currency translation reserve	Capital reserve	Statutory reserve	Performance share plan reserve	Fair value reserve of financial assets at FVOCI	Merger deficit	Retained profits	Total	Non-controlling interests	Total equity
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Group													
As at 1-Oct-2018	191,040,654	234,417,308	(77,500,826)	22,247,861	466,828	21,819	6,507,517	(144,689,204)	(476,280,829)	795,746,064	551,977,192	73,891	552,051,083
Profit for the period	-	-	-	-	-	-	-	-	-	67,539,964	67,539,964	(3,536)	67,536,428
Other comprehensive loss for the period	-	-	-	556,348	-	-	-	(22,433,526)	-	-	(21,877,178)	-	(21,877,178)
Grant of shares under Performance Share Plan	-	-	-	-	-	-	451,043	-	-	-	451,043	-	451,043
Dividends on ordinary shares	-	-	-	-	-	-	-	-	-	(88,279,725)	(88,279,725)	-	(88,279,725)
As at 31-Dec-2018	191,040,654	234,417,308	(77,500,826)	22,804,209	466,828	21,819	6,958,560	(167,122,730)	(476,280,829)	775,006,303	509,811,296	70,355	509,881,651

	Share capital	Share premium	Treasury shares	Foreign currency translation reserve	Capital reserve	Statutory reserve	Performance share plan reserve	Fair value reserve of financial assets at FVOCI	Merger deficit	Retained profits	Total	Non-controlling interests	Total equity
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Company													
As at 1-Oct-2018	191,040,654	1,702,079,469	(77,500,826)	-	-	-	6,507,517	-	-	291,932,117	2,114,058,931	-	2,114,058,931
Profit for the period	-	-	-	-	-	-	-	-	-	36,747,002	36,747,002	-	36,747,002
Grant of shares under Performance Share Plan	-	-	-	-	-	-	451,043	-	-	-	451,043	-	451,043
Dividends on ordinary shares	-	-	-	-	-	-	-	-	-	(88,279,725)	(88,279,725)	-	(88,279,725)
As at 31-Dec-2018	191,040,654	1,702,079,469	(77,500,826)	-	-	-	6,958,560	-	-	240,399,394	2,062,977,251	-	2,062,977,251

Consolidated Statement of Changes in Equity for the second quarter ended 31 December 2017

	Share capital	Share premium	Treasury shares	Foreign currency translation reserve	Capital reserve	Statutory reserve	Performance share plan reserve	Fair value reserve of financial assets at FVOCI	Merger deficit	Retained profits	Total	Non-controlling interests	Total equity
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Group													
As at 1-Oct-2017													
As previously reported	191,040,654	232,217,438	(86,627,098)	54,054,045	466,828	21,819	11,244,919	(88,938,271)	(119,765,286)	880,048,895	1,073,763,943	89,738	1,073,853,681
Adjustments for acquisition of subsidiaries	-	-	-	(9,817)	-	-	-	-	1,039,232	35,599,423	36,628,838	-	36,628,838
As at 1-Oct-2017, as restated	191,040,654	232,217,438	(86,627,098)	54,044,228	466,828	21,819	11,244,919	(88,938,271)	(118,726,054)	915,648,318	1,110,392,781	89,738	1,110,482,519
Profit for the period	-	-	-	-	-	-	-	-	-	34,028,271	34,028,271	(8,729)	34,019,542
Other comprehensive loss for the period	-	-	-	(19,479,842)	-	-	-	(31,284,860)	-	-	(50,764,702)	-	(50,764,702)
Purchase of treasury shares	-	-	(55,772,369)	-	-	-	-	-	-	-	(55,772,369)	-	(55,772,369)
Grant of shares under Performance Share Plan	-	-	-	-	-	-	1,081,029	-	-	-	1,081,029	-	1,081,029
Dividends on ordinary shares	-	-	-	-	-	-	-	-	-	(170,610,934)	(170,610,934)	-	(170,610,934)
As at 31-Dec-2017	191,040,654	232,217,438	(142,399,467)	34,564,386	466,828	21,819	12,325,948	(120,223,131)	(118,726,054)	779,065,655	868,354,076	81,009	868,435,085

	Share capital	Share premium	Treasury shares	Foreign currency translation reserve	Capital reserve	Statutory reserve	Performance share plan reserve	Fair value reserve of financial assets at FVOCI	Merger deficit	Retained profits	Total	Non-controlling interests	Total equity
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Company													
As at 1-Oct-2017	191,040,654	1,668,775,194	(86,627,098)	-	-	-	11,244,919	-	-	244,973,264	2,029,406,933	-	2,029,406,933
Profit for the period	-	-	-	-	-	-	-	-	-	98,229,950	98,229,950	-	98,229,950
Purchase of treasury shares	-	-	(55,772,369)	-	-	-	-	-	-	-	(55,772,369)	-	(55,772,369)
Grant of shares under Performance Share Plan	-	-	-	-	-	-	1,081,029	-	-	-	1,081,029	-	1,081,029
Dividends on ordinary shares	-	-	-	-	-	-	-	-	-	(170,610,934)	(170,610,934)	-	(170,610,934)
As at 31-Dec-2017	191,040,654	1,668,775,194	(142,399,467)	-	-	-	12,325,948	-	-	172,592,280	1,902,334,609	-	1,902,334,609

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

From 11 July 2018 to 28 September 2018, the Company purchased 6,788,000 shares pursuant to the share purchase mandate approved by shareholders on 26 October 2017. These shares were acquired by way of market acquisition for a total consideration of RM8,942,750 and are held as treasury shares by the Company.

The number of treasury shares has increased from 40,432,068 as at 30 June 2018 to 47,220,068 as at 31 December 2018.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	As at 31-Dec-18	As at 30-Jun-18	As at 31-Dec-17
Total number of issued shares	2,696,472,800	2,696,472,800	2,696,472,800
Less: Treasury shares	(47,220,068)	(40,432,068)	(80,555,200)
Total number of issued shares excluding treasury shares	2,649,252,732	2,656,040,732	2,615,917,600

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

	As at 31-Dec-18	As at 30-Jun-18
Number of treasury shares at beginning of the year	40,432,068	49,855,200
Purchase of treasury shares	6,788,000	62,485,200
Release of treasury shares pursuant to Performance Share Plan	-	(1,800,000)
Reissuance of treasury shares for acquisition of subsidiaries	-	(70,108,332)
Number of treasury shares at end of the period/year	47,220,068	40,432,068

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the auditors of the Company.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group's audited annual financial statements for the financial year ended 30 June 2018 were prepared in accordance with International Financial Reporting Standards (IFRS). The accounting policies and methods of computation adopted in the financial statements for the current reporting period are consistent with those disclosed in the audited financial statements as at 30 June 2018 except that the Group has adopted the following new IFRS which became effective for the period beginning on or after 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 do not have significant impact on the financial performance or position of the Group, except for those described below.

(i) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers effective for annual period beginning on or after 1 January 2018. It replaced the previous revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations.

The Group adopted IFRS 15 using modified retrospective method effective 1 July 2018. The cumulative impact of RM594,194 arising from the initial application of the standard was recognised as an adjustment to the opening retained profits as at 1 July 2018.

The following tables summarise the impacts of adopting IFRS 15 on the Group's statement of financial position as at 31 December 2018, and the consolidated income statement and consolidated statement of cash flows for the half year period and second quarter ended 31 December 2018 for each of the line items affected.

CONSOLIDATED INCOME STATEMENT

	Note	Half year period ended 31-Dec-18			Second quarter ended 31-Dec-18		
		As reported with adoption of IFRS 15	Amounts without adoption of IFRS 15	Increase/ (Decrease)	As reported with adoption of IFRS 15	Amounts without adoption of IFRS 15	Increase/ (Decrease)
		RM	RM	RM	RM	RM	RM
Revenue	(a)	336,169,834	339,224,196	(3,054,362)	168,987,009	172,903,643	(3,916,634)
Cost of sales		(123,190,335)	(123,763,346)	(573,011)	(60,924,292)	(61,190,149)	(265,857)
Gross profit		212,979,499	215,460,850	(2,481,351)	108,062,717	111,713,494	(3,650,777)
Profit before tax		148,038,186	150,519,537	(2,481,351)	80,573,859	84,224,636	(3,650,777)
Income tax expense		(22,563,547)	(22,699,597)	(136,050)	(13,037,431)	(13,569,598)	(532,167)
Profit after tax		125,474,639	127,819,940	(2,345,301)	67,536,428	70,655,038	(3,118,610)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	As reported with adoption of IFRS 15	Amounts without adoption of IFRS 15	Increase/ (Decrease)
		RM	RM	RM
Current assets				
Amounts due from customers for contract work-in-progress		-	67,225,984	(67,225,984)
Trade and other receivables		148,454,212	149,734,676	(1,280,464)
Contract assets	(b)	70,808,856	-	70,808,856
Advance maintenance costs		-	2,041,893	(2,041,893)
Tax recoverable		4,393,667	4,337,712	55,955
Net impact to current assets				316,470
Equity				
Foreign currency translation reserve		22,804,209	22,823,026	(18,817)
Retained profits		775,006,303	776,757,410	(1,751,107)
Net impact to equity				(1,769,924)
Current liabilities				
Amounts due to customers for contract work-in-progress		-	65,045,324	(65,045,324)
Trade and other payables		71,461,784	73,776,531	(2,314,747)
Contract liabilities	(b)	110,537,346	-	110,537,346
Advance maintenance fees		-	41,009,650	(41,009,650)
Tax payable		21,328,643	21,409,874	(81,231)
Net impact to current liabilities				2,086,394

CONSOLIDATED STATEMENT OF CASH FLOWS

	Half year period ended 31-Dec-18			Second quarter ended 31-Dec-18		
	As reported with adoption of IFRS 15	Amounts without adoption of IFRS 15	Increase/ (Decrease)	As reported with adoption of IFRS 15	Amounts without adoption of IFRS 15	Increase/ (Decrease)
	RM	RM	RM	RM	RM	RM
Operating activities						
Changes in working capital:						
Trade and other receivables	(5,438,798)	(6,292,657)	853,859	(38,840,800)	(39,427,309)	586,509
Amounts due from/to customers for contract work-in-progress	-	11,899,980	(11,899,980)	-	(5,924,525)	5,924,525
Contract assets/liabilities	(1,793,155)	-	(1,793,155)	(19,202,572)	-	(19,202,572)
Trade and other payables	3,546,409	(11,774,218)	15,320,627	2,654,264	(13,688,051)	16,342,315

As the net impact to consolidated income statement of RM2,345,301 and RM3,118,610 are less than 5% of the profit after tax for the half year period and second quarter ended 31 December 2018 respectively, the financial performance review under Section 8 is prepared based on 1H FY2019 and Q2 FY2019 IFRS 15 compliant results as compared with 1H FY2018 and Q2 FY2018 results before the adoption of IFRS 15.

Notes:**(a) Revenue**

	Half year period ended			Second quarter ended		
	31-Dec-18			31-Dec-18		
	As reported with adoption of IFRS 15	Amounts without adoption of IFRS 15	Increase/ (Decrease)	As reported with adoption of IFRS 15	Amounts without adoption of IFRS 15	Increase/ (Decrease)
	RM	RM	RM	RM	RM	RM
Software licensing	45,231,334	44,566,478	664,856	19,722,199	19,139,966	582,233
Software project services	48,469,794	49,408,012	(938,218)	18,970,773	21,841,372	(2,870,599)
Maintenance and enhancement services	217,629,256	219,863,980	(2,234,724)	118,939,329	120,310,350	(1,371,021)
Sale of software and hardware products	830,080	1,376,356	(546,276)	645,050	902,297	(257,247)
Credit and cards processing	8,010,614	8,010,614	-	2,676,007	2,676,007	-
Software-as-a-Service						
- Insurance	15,998,756	15,998,756	-	8,033,651	8,033,651	-
	336,169,834	339,224,196	(3,054,362)	168,987,009	172,903,643	(3,916,634)

Software licensing and software project services revenue accounted for under the percentage of completion method as reported in half year period and second quarter ended 31 December 2018 amounted to RM89,919,918 and RM38,065,010 respectively.

Revenue from maintenance and enhancement services comprise two separate performance obligations, amounted to RM93,758,813 and RM123,870,443 respectively for the half year period ended 31 December 2018; and RM48,737,160 and RM70,202,169 respectively for the second quarter ended 31 December 2018.

(b) Contract assets/liabilities

IFRS 15 does not distinguish between different types of contracts with customers and requires the presentation of a contract asset or contract liability when either party to the contract has performed as well as requires any accrued or deferred income, or payments received in advance or on account, to the extent that payment is received before or after performance of services to be presented as contract assets or contract liabilities. Hence, the amounts presented as amount due from/(to) customers for contract work-in-progress, advance maintenance costs/fees and prepaid costs/deferred revenue are now reclassified and presented as contract assets and contract liabilities respectively in compliance with the standard.

(ii) IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting effective for annual period beginning on or after 1 January 2018. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The new impairment model under IFRS 9 requires the recognition of impairment based on expected credit losses, replaced the incurred credit loss model under IAS 39.

The Group adopted IFRS 9 effective 1 July 2018 without restating prior periods' information and any difference between the previous carrying amount and the carrying amount at the date of initial application shall be adjusted in the opening retained profits. Based on the historical credit loss experience as well as assessment undertaken on financial assets classified at amortised cost, loans and receivables, no additional impairment loss adjustments being made to the opening retained profits. The classification and measurement of the Group's financial assets are appropriate.

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
Amendments 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
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 is currently assessing the impact of the adoption of the above standards and interpretations on the Group's financial position and performance.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Refer to Note 4.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group		Group	
	Half year period ended		Second quarter ended	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
	Sen	Sen Restated	Sen	Sen Restated
Based on the weighted average number of ordinary shares on issue ⁽¹⁾	4.73	2.58	2.55	1.29
Based on a fully diluted basis ⁽²⁾	4.73	2.58	2.54	1.29

⁽¹⁾ The weighted average number of ordinary shares on issue has taken into account the weighted average effect of changes in ordinary shares and treasury shares transactions during the financial period ended 31 December 2018 of 2,652,046,550 (31 December 2017 of 2,640,965,824) of USD0.02 each.

⁽²⁾ Based on weighted average number of ordinary shares on issue, after adjusting for dilution shares under Silverlake Axis Ltd. Performance Share Plan.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:- (a) current financial period reported on; and (b) immediately preceding financial year.

	As at 31-Dec-18		As at 30-Jun-18	
	Group Sen	Company Sen	Group Sen	Company Sen
Net asset value per ordinary share ⁽¹⁾	19.24	77.87	19.70	78.07

⁽¹⁾ Based on the issued share capital excluding treasury shares as at the end of the current financial period and the immediately preceding financial year.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following: -

(a) any significant factors that affected the turnover, costs and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

(a)(i) INCOME STATEMENT REVIEW – Second quarter ended 31 December 2018 ("Q2 FY2019") vs Second quarter ended 31 December 2017 ("Q2 FY2018")

Overview

Silverlake Axis Ltd (SAL) provides technology and digital economy solutions to the Banking, Insurance, Payments, Retail and Logistics industries. Founded in 1989, SAL has built an impeccable track record of successful core banking implementations. The Group's Software and Services Solutions deliver operational excellence and enable business transformations at over 300 organisations across Asia Pacific, Africa, Central Europe and Middle East.

From FY2011 to FY2018, the Group has successfully undertaken six acquisitions to broaden the suite of business enterprise software solutions and services offerings and strengthen its market position in new markets in New Zealand, Australia, South Asia and Europe. With expanded capabilities, the Group is well positioned to empower its customers to compete effectively in the digital economy ecosystem. Buoyed by continual investments in Information Technology ("IT") by Asian financial institutions and corporations to improve their competitive edge, the Group continues to achieve steady growth in market share.

In Q2 FY2019, the Group achieved a revenue increase of 20% compared with the previous corresponding period and recorded a net profit attributable to shareholders of RM67.5 million, 99% higher than the RM34.0 million for Q2 FY2018.

Revenue

By Business Activities

	1-10-18 to 31-12-18	1-10-17 to 31-12-17	Change
	Group RM	Group RM Restated	
			%
Revenue			
Software licensing	19,722,199	9,982,935	98
Software project services	18,970,773	15,032,233	26
Maintenance and enhancement services	118,939,329	102,733,599	16
Sale of software and hardware products	645,050	1,019,402	(37)
Credit and cards processing	2,676,007	4,774,661	(44)
Software-as-a-Service			
- Insurance	8,033,651	7,835,692	3
	168,987,009	141,378,522	20

Q2 FY2019 group revenue of RM169.0 million was 20% higher compared with Q2 FY2018. The contribution from project related revenue segments increased and the recurrent revenue segments comprising maintenance and enhancement services as well as provision of Software-as-a-Service for the insurance industry, making up approximately 75% of Group revenue for the period, continued to grow at 16% and 3% respectively.

Project related revenue comprising software licensing and software project services totalling RM38.7 million in Q2 FY2019 was 55% higher compared with RM25.0 million recorded in the previous corresponding period. Software licensing revenue increased from RM10.0 million in Q2 FY2018 to RM19.7 million in Q2 FY2019 mainly due to the delivery of new larger core banking contracts in Malaysia and new retail automation contracts in Vietnam and Hong Kong in Q2 FY2019 as compared with the recognition of progressive revenue in Q2 FY2018 from a few ongoing implementation contracts in Thailand and Brunei.

Revenue from software project services also recorded a 26% growth to RM19.0 million in Q2 FY2019 compared with RM15.0 million in Q2 FY2018. The increase was mainly due to higher revenue achieved in Q2 FY2019 from the progressive delivery of two new higher value Malaysian projects secured in late FY2018 and new implementation projects secured from the retail industry in Hong Kong as compared with the progressive revenue contribution from the ongoing Thailand projects in both Q2 FY2018 and Q2 FY2019.

Revenue from maintenance and enhancement services improved from RM102.7 million in Q2 FY2018 to RM118.9 million in Q2 FY2019 mainly due to new enhancement contracts secured during the quarter to support the digital banking and payments transformation initiatives of two established financial institutions in Singapore.

Following the termination of outsourcing contract by a major customer, revenue contribution from credit and cards processing decreased by 44% from RM4.8 million in Q2 FY2018 to RM2.7 million in Q2 FY2019. The decrease was partially offset by higher revenue from an existing customer with a new tier-pricing fee arrangement signed since Q3 FY2018.

Profitability

Due to the improvement in revenue, the Group recorded a gross profit of RM108.1 million in Q2 FY2019, 32% higher compared with RM81.9 million in Q2 FY2018. The Group's gross profit margin of 64% in Q2 FY2019 was higher compared with 58% in Q2 FY2018 mainly due to a change in revenue mix with a higher proportion of revenue recorded from higher margin software licensing segment and software project services in Q2 FY2019 as compared with the previous corresponding period.

Other income was markedly higher in Q2 FY2019 compared with Q2 FY2018 mainly due to the recognition of a pre-tax gain of RM8.8 million from disposal of freehold land and higher realised foreign currency exchange gain from translation of bank balances denominated in foreign currencies in Q2 FY2019.

Selling and distribution expenses decreased by 38% from RM11.1 million to RM7.0 million in Q2 FY2019, reflecting lower marketing and business development activities in Q2 FY2019.

Compared with Q2 FY2018, administrative expenses decreased by 12% from RM30.2 million to RM26.6 million in Q2 FY2019 mainly due to lower professional fees incurred for acquisitions in Q2 FY2019, lower charge on share awards granted pursuant to Silverlake Axis Ltd. Performance Share Plan ("PSP") in Q2 FY2019 as well as lower unrealised foreign currency exchange loss recorded from smaller fluctuation of bank balances denominated in foreign currencies in Q2 FY2019.

The significant increase in finance costs from RM0.4 million in Q2 FY2018 to RM6.5 million in Q2 FY2019 was mainly due to the quarterly fair value adjustment on the contingent consideration payable for the acquisition of SIL Group as required by IFRS.

With higher revenue, higher other income and lower operating expenses, partially offset by higher finance costs, the Group recorded a profit before tax of RM80.6 million in Q2 FY2019 compared with RM41.2 million in Q2 FY2018.

Income tax expense increased from RM7.2 million in Q2 FY2018 to RM13.0 million in Q2 FY2019 mainly due to higher taxable income from certain subsidiaries and the expiry of pioneer status of two Malaysian subsidiaries.

The Group reported a growth of 99% in profit after tax attributable to shareholders to RM67.5 million in Q2 FY2019 from RM34.0 million recorded in Q2 FY2018 and achieved a net profit margin of 40% in Q2 FY2019, 16% higher compared with the 24% achieved in Q2 FY2018.

(a)(ii) INCOME STATEMENT REVIEW – Half year period ended 31 December 2018 ("1H FY2019") vs Half year period ended 31 December 2017 ("1H FY2018")

Overview

In 1H FY2019, group revenue increased by 28% compared with the previous corresponding financial period and the Group recorded a net profit attributable to shareholders of RM125.5 million, 84% higher than the RM68.1 million achieved in 1H FY2018.

Revenue

By Business Activities

	1-7-18 to 31-12-18 Group	1-7-17 to 31-12-17 Group	Change
	RM	RM Restated	%
Revenue			
Software licensing	45,231,334	13,986,611	223
Software project services	48,469,794	26,489,583	83
Maintenance and enhancement services	217,629,256	197,224,211	10
Sale of software and hardware products	830,080	1,289,243	(36)
Credit and cards processing	8,010,614	9,145,784	(12)
Software-as-a-Service			
- Insurance	15,998,756	15,009,803	7
	336,169,834	263,145,235	28

For 1H FY2019, the Group achieved a revenue of RM336.2 million, 28% higher compared with RM263.1 million recorded in 1H FY2018. The key business segments comprising project related and recurrent revenue segments contributed higher revenue in 1H FY2019.

Project related revenue comprising software licensing and software project services recorded significant growth to RM93.7 million in 1H FY2019 from RM40.5 million in 1H FY2018. Revenue from software licensing rose significantly to RM45.2 million in 1H FY2019 mainly due to the delivery of new larger core banking contracts in Malaysia, new retail automation contracts in Vietnam and Hong Kong as well as higher progressive revenue recognised from the delivery of ongoing contracts in Thailand and Sri Lanka in 1H FY2019 as compared with 1H FY2018.

Software project services revenue of RM48.5 million in 1H FY2019 was 83% higher as compared with the previous corresponding period as there was higher progressive revenue recognised from two new Malaysian core banking projects secured in late FY2018, new Hong Kong retail based projects secured in 1H FY2019 and a few ongoing implementation contracts secured in Thailand, Malaysia, Sri Lanka and Singapore. Further revenue recognition from project related revenue segments are expected to take place in the subsequent quarters with the progressive delivery of ongoing and new software licensing and implementation contracts secured in late FY2018 and 1H FY2019.

Revenue from maintenance and enhancement services increased by 10% from RM197.2 million in 1H FY2018 to RM217.6 million in 1H FY2019 mainly due to a few new enhancement contracts secured in 1H FY2019 in response to the requests for support in the digital banking and payments transformation initiatives by two established financial institutions in Singapore in addition to revenue contribution from ongoing regulatory compliance related enhancement contracts delivered for Malaysian financial institutions.

The decrease in credit and cards processing revenue by 12% from RM9.1 million in 1H FY2018 to RM8.0 million in 1H FY2019 was mainly due to the termination of outsourcing contract by a major customer effective Q2 FY2019, partially offset by higher processing revenue from an existing customer with a new tier-pricing fee arrangement signed since Q3 FY2018.

Following the expansion of business activities into Thailand, Hong Kong and Vietnam as well as new customers secured in Malaysia, Indonesia and Philippines, revenue from Software-as-a-Service for insurance processing was 7% higher in 1H FY2019 compared with 1H FY2018.

Profitability

The Group recorded a gross profit of RM213.0 million in 1H FY2019, 47% higher than the RM145.3 million recorded in 1H FY2018 and achieved 63% gross profit margin in 1H FY2019 as compared with 55% for 1H FY2018. The improvement was due to a change in revenue mix with higher proportion of revenue recorded from higher margin software licensing segment and software project services in 1H FY2019 as compared with 1H FY2018.

Lower finance income was recorded in 1H FY2019 due to lower deposits placed with financial institutions in 1H FY2019 compared with 1H FY2018.

Other income increased significantly to RM12.4 million in 1H FY2019 from RM4.5 million in 1H FY2018 as there was a pre-tax gain of RM8.8 million in 1H FY2019 from the disposal of freehold land, partially offset by the waiver of debts of RM1.1 million recorded in 1H FY2018.

Selling and distribution expenses of RM16.4 million in 1H FY2019 were 7% lower compared with RM17.6 million in 1H FY2018, reflecting lower marketing and business development activities in 1H FY2019.

Administrative expenses decreased by 10% from RM53.6 million in 1H FY2018 to RM48.0 million in 1H FY2019 due to lower professional fees incurred for the acquisitions in 1H FY2019 and lower charge on share awards granted pursuant to PSP in 1H FY2019.

Finance costs increased significantly to RM12.7 million in 1H FY2019 from RM0.9 million in 1H FY2018 mainly due to the quarterly fair value adjustment on the contingent consideration payable for the acquisition of SIL Group as required by IFRS.

With higher revenue and other income coupled with lower operating expenses, partially offset by higher finance costs, the Group recorded a profit before tax of RM148.0 million in 1H FY2019 compared with RM79.3 million in 1H FY2018, a growth of 87%.

Income tax expense of RM22.6 million in 1H FY2019 was significantly higher compared with RM11.2 million in 1H FY2018 and the effective tax rate of 15% in 1H FY2019 was 1% higher than the 14% reported in 1H FY2018. Higher tax expense recorded in 1H FY2019 mainly due to the expiry of pioneer status of two Malaysian subsidiaries in addition to higher taxable income from certain subsidiaries and increase in withholding tax on overseas revenue.

The Group reported 84% higher profit after tax attributable to shareholders of RM125.5 million in 1H FY2019 compared with RM68.1 million in 1H FY2018 and achieved net profit margin of 37% in 1H FY2019, 11% higher than the 26% achieved in 1H FY2018.

(b) STATEMENTS OF FINANCIAL POSITION REVIEW

Property, plant and equipment

Property, plant and equipment ("PPE") decreased from RM20.4 million as at 30 June 2018 to RM14.1 million as at 31 December 2018 mainly due to the disposal of freehold land in Q2 FY2019 and the depreciation charge for the quarter. The decrease was partially offset by office renovation cost capitalised and purchase of office equipment during 1H FY2019 as well as higher foreign currency translation on PPE attributable to the appreciation of United States Dollar ("USD") and Singapore Dollar ("SGD") against Ringgit Malaysia ("RM") in Q2 FY2019 compared with Q4 FY2018.

Intangible assets

The increase in intangible assets from RM206.7 million as at 30 June 2018 to RM212.4 million as at 31 December 2018 was mainly due to the capitalisation of software development expenditure incurred for the development of enhanced core banking and Fintech solutions during 1H FY2019 as well as higher foreign currency translation on intangibles attributable to the appreciation of USD and SGD against RM in Q2 FY2019 compared with Q4 FY2018. The increase was partially offset by the amortisation of intangible assets in 1H FY2019.

Trade and other receivables

Trade and other receivables increased from RM138.7 million as at 30 June 2018 to RM148.5 million as at 31 December 2018 as the remaining RM14.9 million sale proceed from the disposal of freehold land will only be settled, when the conditions precedent are satisfied, within the stipulated sale completion period. This increase was partially offset with collection from customers during 1H FY2019.

Contract assets/(liabilities)

The net contract liabilities decreased from RM43.0 million as at 30 June 2018 to RM39.7 million as at 31 December 2018. The components of contract assets and contract liabilities are presented as follows:

	As at 31-Dec-18	As at 30-Jun-18	Change
	RM	RM Restated	%
Contract assets			
Amounts due from customers for contract work-in-progress (<i>Note (i)</i>)	67,845,080	55,829,157	22
Advance maintenance costs	2,041,893	1,882,697	8
Prepaid license and hardware costs	921,883	573,236	61
Total contract assets recognised under current assets	70,808,856	58,285,090	21
Contract liabilities			
Amounts due to customers for contract work-in-progress (<i>Note (i)</i>)	65,780,170	43,282,889	52
Advance maintenance fees (<i>Note (ii)</i>)	36,169,657	55,887,662	(35)
Deferred revenue (<i>Note (iii)</i>)	8,587,519	2,150,706	299
Total contract liabilities recognised under current liabilities	110,537,346	101,321,257	9
Net contract liabilities	(39,728,490)	(43,036,167)	(8)

- (i) The amounts due from/(to) customers for contract work-in-progress represent timing differences between revenue recognition on contract and billing to customers. Revenue recognition on contract is based on percentage of completion method, while billings to customers are in accordance with contracted payment milestones.

The net amount due from customers for contract work-in-progress as at 31 December 2018 was RM2.1 million compared with RM12.5 million as at 30 June 2018 and this was mainly due to the timing of billings and revenue recognition for the contracts on hand.

- (ii) Advance maintenance fees represent maintenance fees billed in advance, for which revenue will be recognised over the contractual period, typically twelve months. The decrease in advance maintenance fees from RM55.9 million as at 30 June 2018 to RM36.2 million as at 31 December 2018 was due to the recognition of maintenance revenue following the performance of services in 1H FY2019 as well as the allocation of a portion of advance maintenance fees billed to unutilised free-mandays as explained in Note (iii) below.
- (iii) Deferred revenue as at 31 December 2018 was RM8.6 million compared with RM2.2 million as at 30 June 2018 mainly due to the requirement of IFRS 15 where maintenance contracts which contain free man-days are required to be accounted for as separate performance obligations ("PO") and revenue to be allocated to each PO accordingly. A portion of the advance maintenance fees recognised as of 30 June 2018 have been reallocated to these unutilised free man-days. The revenue allocated to the 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, and presented as contract liabilities when the consideration is received.

Amounts due from/(to) related parties

The amounts due from/(to) related parties are transactions between the Group and Interested Persons ("Silverlake Entities") under the approved General Mandate for Interested Person Transactions and the Ancillary Transactions Mandate (collectively "Mandates"). These amounts fluctuate from quarter to quarter mainly due to the timing of billings and payments received.

Financial assets at fair value through other comprehensive income - quoted equity shares

This financial asset represents the retained equity interest in Global InfoTech Co. Ltd. ("GIT"). The 37.1 million shares were valued at RM189.8 million as at 30 June 2018 and re-measured at RM134.3 million as at 31 December 2018, with RM60.3 million unrealised fair value loss recognised in Other Comprehensive Income.

Cash and bank balances

Cash and bank balances increased from RM304.0 million as at 30 June 2018 to RM378.2 million as at 31 December 2018 mainly due to net cash inflow from operating activities of RM152.5 million, partially offset by cash outflow from financing activities of RM88.3 million for payment of dividends to shareholders.

Total current and non-current trade and other payables

Current trade and other payables increased from RM65.8 million as at 30 June 2018 to RM71.5 million as at 31 December 2018 mainly due to higher accruals of sub-contractors' fees.

The non-current other payable represents the fair value of contingent consideration payable to the vendors in FY2021 in relation to the acquisition of the entire share capital of SIL Group. The non-current other payable increased from RM233.7 million as at 30 June 2018 to RM245.9 million as at 31 December 2018 after taking into account the effect of time value of money and the discounting effect is recognised as Finance Costs in 1H FY2019.

Deferred tax

The decrease in deferred tax from a net liability position of RM15.5 million as at 30 June 2018 to RM11.4 million as at 31 December 2018 was mainly due to the reversal of withholding tax provided for financial assets attributable to the changes in fair value of GIT shares quoted on ChiNext of the Shenzhen Stock Exchange. The deferred tax relating to fair value loss on financial assets of RM6.0 million was recognised in Other Comprehensive Income.

Total current and non-current loans and borrowings

Loans and borrowings increased from RM28.3 million as at 30 June 2018 to RM44.8 million as at 31 December 2018 mainly due to drawdown of revolving credit and the utilisation of bank overdraft facility by a subsidiary for working capital purposes.

Amount due to holding company

The amount due to holding company, Intelligentsia Holding Ltd., represents advances given to SIL Group prior to the acquisition of SIL Group. This balance had been fully settled in 1H FY2019.

Current income tax

Current income tax assets and liabilities represent the amount expected to be recovered from or paid to the taxation authorities. The increase in net tax payable from RM8.9 million as at 30 June 2018 to RM16.9 million as at 31 December 2018 was mainly due to higher taxable income from certain subsidiaries and the expiry of pioneer status of two Malaysian subsidiaries.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Contributions from software contracts and projects secured by the Group in FY2018 and earlier continue to underpin the improvement in operating performance in Q2 FY2019. As the Group continues to implement these projects over the next few quarters, it remains active in responding to new enquiries and requests for proposals to secure additional software projects.

Following the recent expansion of the Group's suite of digital banking solutions, the Group is actively cross selling these capabilities to existing customers to strengthen relationships and broaden the Group's revenue base. The Group is constantly evaluating suitable companies for acquisition to further expand its portfolio of Fintech and Insurtech software products and services to better serve its customers.

11. If a decision regarding dividend has been made:

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? Yes

Name of Dividend	First Interim	Second Interim
Dividend Type	Cash	Cash
Dividend Rate	Singapore 0.3 cents per ordinary share	Singapore 0.4 cents per ordinary share
Par Value of Shares	USD0.02	USD0.02
Tax Rate	Tax exempt 1-tier	Tax exempt 1-tier

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? Yes

Name of Dividend	First Interim and Special	Second Interim and Special
Dividend Type	Cash	Cash
Dividend Rate	Singapore 0.3 cents and Singapore 0.5 cents per ordinary share	Singapore cents 0.3 and Singapore cents 0.8 per ordinary share
Par Value of Shares	USD0.02	USD0.02
Tax Rate	Tax exempt 1-tier	Tax exempt 1-tier

(c) Date payable

The Directors have proposed a tax exempt (one-tier) interim dividend of Singapore 0.4 cents per ordinary share. The interim dividend will be payable on 8 March 2019.

(d) Books closure date

Notice is hereby given that the Transfer Books and Register of Members of the Company will be closed on 26 February 2019 for the purpose of determining shareholders' entitlements to the proposed interim dividend. Duly completed transfers received by the Company's Share Transfer Agent, Boardroom Corporate & Advisory Services Pte Ltd at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, up to 5.00 p.m., on 25 February 2019 will be registered before entitlements to the dividend are determined.

Shareholders (being depositors) whose securities accounts with the Central Depository (Pte) Limited are credited with ordinary shares as at 5.00 p.m. on 25 February 2019 will be entitled to the proposed interim dividend.

12. If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.

Not applicable.

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

Not applicable.

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Not applicable.

15. A breakdown of sales

Not applicable.

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Not applicable.

17. Recurrent Interested Person Transactions of A Revenue or Trading Nature

The aggregate value of recurrent Interested Person Transactions ("IPT") of revenue or trading nature conducted during the financial period ended 31 December 2018 by the Group in accordance with the shareholders' mandates were as follow:

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)
	1-7-18 to 31-12-18	1-7-18 to 31-12-18
	RM	RM
Companies associated to Mr. Goh Peng Ooi ("Silverlake Entities")		
- New IPT Mandate ⁽¹⁾		
Revenue from Silverlake Entities	-	63,540,742
Service fees to Silverlake Entities	-	(12,076,477)
- Non-Mandate Transactions ⁽²⁾		
Revenue from Silverlake Entities	1,744,434	-
Service fees to Silverlake Entities	(639,637)	-

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

(2) The Non-Mandate transactions were mainly derived from project, maintenance and enhancement services contracted between SIL Group and Silverlake Entities before the completion of acquisition of SIL Group in prior year and provision of software licensing by Silverlake Adaptive Applications & Continuous Improvement Services Ltd. to Silverlake Entities.

18. Ageing for amounts owing from related parties

The ageing for amounts owing from related parties as at 31 December 2018 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
<u>Transactions conducted under the New IPT Mandate: -</u>						
Silverlake Entities ⁽¹⁾	46,604,520	1,392,906	2,861,614	-	42,350,000	-
<u>Non-Mandate Transactions</u>						
Silverlake Entities	257,429	41,573	215,856	-	-	-
<u>Non-Trade Transactions</u>						
Silverlake Entities	103,651	103,651	-	-	-	-
Grand Total	46,965,600	1,538,130	3,077,470	-	42,350,000	-

(Note 2)

(Note 2)

(1) The Audit Committee confirms that collections from the Silverlake Entities were within the mandated terms.

(2) As at 14 February 2019, the amounts due from Silverlake Entities between 31-180 days have been fully collected.

19. Confirmation by the Board pursuant to Rule 705(5) of the Listing Manual

The Board of Directors of the Company hereby confirm to the best of their knowledge that nothing has come to their attention which may render the unaudited financial statements for the financial period ended 31 December 2018 to be false or misleading in any material aspect.

20. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

The Company hereby confirms that it has procured undertakings from all its directors and executive officers under Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

KWONG YONG SIN
Group Managing Director

14 February 2019