INFORMATION MEMORANDUM

FOR RESTRICTED CIRCULATION ONLY

SL INFORMATION BERHAD
(Company No. 972155-K)
(Incorporated in Malaysia)

EXCLUDED ISSUE WITHIN THE MEANINGS OF SECTIONS 229 AND 230 OF THE CAPITAL MARKETS AND SERVICES ACT 2007 IN CONJUNCTION WITH OUR LISTING ON THE LEAP MARKET OF BURSA MALAYSIA SECURITIES BERHAD

APPROVED ADVISER AND PLACEMENT AGENT

MERCURY SECURITIES SDN BHD
(Company No. 113193-W)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

THIS INFORMATION MEMORANDUM IS DATED 18 APRIL 2018

THE LEAP MARKET HAS BEEN POSITIONED AS A MARKET DESIGNED TO ACCOMMODATE CORPORATIONS TO WHICH A HIGHER INVESTMENT RISK MAY BE ATTACHED THAN OTHER CORPORATIONS LISTED ON THE ACE MARKET OR MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES"). IT IS A QUALIFIED MARKET WHICH IS MEANT MAINLY FOR SOPHISTICATED INVESTORS (AS DEFINED HEREIN) ONLY. ONLY EXISTING SECURITIES HOLDERS AND SOPHISTICATED INVESTORS ARE ALLOWED TO PARTICIPATE IN CORPORATE EXERCISES UNDERTAKEN BY US. SOPHISTICATED INVESTORS SHOULD BE AWARE OF THE POTENTIAL RISKS OF INVESTING IN US AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER DUE AND CAREFUL CONSIDERATION.

IMPORTANT NOTICE

NO PERSON IS AUTHORISED IN CONNECTION WITH OUR EXCLUDED ISSUE (AS DEFINED HEREIN) AND LISTING (AS DEFINED HEREIN) TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN AS CONTAINED IN THIS INFORMATION MEMORANDUM, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY SL INFORMATION BERHAD ("SL" OR "COMPANY") OR MERCURY SECURITIES SDN BHD ("MERCURY SECURITIES") AS OUR APPROVED ADVISER AND PLACEMENT AGENT.

THE PURPOSE OF THIS INFORMATION MEMORANDUM IS TO PROVIDE INFORMATION ON THE BUSINESS AND AFFAIRS OF OUR COMPANY AND SUBSIDIARIES (COLLECTIVELY "GROUP") ONLY. THIS INFORMATION MEMORANDUM DOES NOT CONSTITUTE OR FORM PART OF ANY OFFER OR INVITATION TO SUBSCRIBE FOR OR PURCHASE, OR SOLICITATION OF ANY OFFER TO SUBSCRIBE FOR OR PURCHASE OUR SHARES (AS DEFINED HEREIN), NOR IS IT INTENDED TO INVITE OR PERMIT THE MAKING OF OFFERS BY THE PUBLIC TO SUBSCRIBE FOR OR PURCHASE OUR SHARES.

THIS INFORMATION MEMORANDUM IS INTENDED FOR CIRCULATION ONLY TO PERSONS WHOM AN INVITATION TO SUBSCRIBE FOR OR PURCHASE SECURITIES OR AN ISSUE OF SECURITIES WOULD CONSTITUTE AN EXCLUDED ISSUE WITHIN THE MEANINGS OF SECTIONS 229 AND 230 OF THE CAPITAL MARKETS AND SERVICES ACT 2007 ("CMSA").

THE DISTRIBUTION OF THIS INFORMATION MEMORANDUM AND THE OFFERING OF OUR SHARES MAY, IN CERTAIN JURISDICTIONS, BE RESTRICTED BY LAW. WE REQUIRE PERSONS INTO WHOSE POSSESSION THIS INFORMATION MEMORANDUM COMES INTO, TO INFORM THEMSELVES OF AND OBSERVE ALL SUCH RESTRICTIONS.

Our Board of Directors and Promoters (as defined herein), having made all reasonable enquiries, accept responsibility for, and confirm that this Information Memorandum contains all relevant information with regards to our Group which is material in the context of our Excluded Issue and Listing as at the date hereof, that the information contained in this Information Memorandum is true and accurate in all material respects and is not misleading as at the date hereof and that there are no other facts the omission of which would, in the context our Excluded Issue and Listing, make this Information Memorandum as a whole or any information herein misleading in any material respects.

Mercury Securities, being our Approved Adviser and Placement Agent acknowledges that, based on all available information and to the best of its knowledge and belief, this Information Memorandum constitutes a full and true disclosure of all material facts concerning our Listing and Excluded Issue.

Our Shares are offered to Sophisticated Investors on the premise of full and accurate disclosure of all material information concerning our Excluded Issue, for which any person set out in Section 236 of the CMSA is responsible.

You should note that you may seek recourse under Sections 248, 249 and 357 of the CMSA for breaches of securities laws including any statement in this Information Memorandum that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to this Information Memorandum.

A copy of this Information Memorandum has been deposited with the Securities Commission Malaysia ("**SC**"). Each recipient ("**Recipient**") of this Information Memorandum acknowledges and agrees that the SC and Bursa Securities take no responsibility for the contents of this Information Memorandum, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Information Memorandum.

Our Excluded Issue is subject to the receipt of an approval-in-principle for our Listing from Bursa Securities, who make no assessment on the suitability, viability or prospects of our Group or the merits of investing in our shares. Mercury Securities, as our Approved Adviser, has assessed the suitability of our Group for admission to the LEAP Market as required under Rule 4.10 of Bursa Securities' LEAP Market Listing Requirements. **YOU SHALL BE SOLELY RESPONSIBLE FOR YOUR INVESTMENT DECISION, AND SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF AN INVESTMENT IN OUR COMPANY, AND SHOULD CONSULT TO THE EXTENT NECESSARY, YOUR OWN LEGAL, FINANCIAL, TAX, ACCOUNTING AND/OR OTHER PROFESSIONAL ADVISERS IN THIS RESPECT PRIOR TO ANY INVESTMENT IN OUR COMPANY.**

MODE OF COMMUNICATION

In accordance with our Constitution, we may send notices and documents to our securities holders ("**Holders**") by electronic means to the Holders' registered email address last maintained with either our Company Secretaries or Bursa Malaysia Depository Sdn Bhd ("**Bursa Depository**"), as the case may be. Our Holders have a right to request for a hard copy of such notices and documents should they wish to do so. In such event, we will forward a hard copy of the notices and documents to the Holders, as soon as reasonably practicable after the receipt of the request, free of charge by ordinary mail to the Holders' registered Malaysian address last maintained with either our Company Secretaries or Bursa Depository, as the case may be, at their own risk.

We may also publish notices and documents on our website as a form of electronic communication with our Holders. In such event, we will separately and immediately notify our Holders by way of any of the following:

(i) ordinary mail;

(ii) electronic means to the Holders' registered email address;

(iii) advertisements in an English daily newspaper in Malaysia; and/or

(iv) announcements on Bursa Securities.

TERMS AND CONDITIONS BINDING ALL RECIPIENTS

By accepting this Information Memorandum, you hereby agree and undertake to be bound by the following terms and conditions:

1. This Information Memorandum is issued by our Company and distributed by us as well as Mercury Securities as our Approved Adviser and Placement Agent. The distribution of this Information Memorandum shall be in paper/printed copy and/or electronic copy upon request by interested Recipients, free of charge. This Information Memorandum is distributed to interested Recipients for information purposes only and upon the express understanding that such Recipients will use it only for the purposes set forth below.

2. The information contained in this Information Memorandum, including any statement or fact or opinion, is solely for use by a limited number of prospective Sophisticated Investors for the purpose of evaluating their interest in investing in our Company ("**Proposed Investment**"). Nothing contained herein shall be taken as a recommendation or invitation by us and/or Mercury Securities to undertake the Proposed Investment or as a commitment on our part to accept your Proposed Investment.

3. We and Mercury Securities each reserve the right (without notice or recourse) to alter, amend, terminate or suspend the process in respect of the Proposed Investment ("**Investment Process**") without providing any reason therefor. All costs incurred by you during the Investment Process are for your account only and under no circumstances will we or Mercury Securities be responsible for any part of such costs, notwithstanding any alteration, amendment, termination or suspension of the Investment Process or the reasons thereof.

4. Any documents in relation to our Excluded Issue and Listing published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Information Memorandum.

5. Subject to the provisions of any laws, regulations and guidelines ("**Applicable Laws**"), we and Mercury Securities each reserve the right to negotiate with one or more prospective Sophisticated Investors at any time. Subject to the Applicable Laws, we and Mercury Securities each also reserve the right (without notice or recourse) to terminate, at any time, further participation in the Investment Process by all or any Recipients without assigning any reasons thereof.

6. Neither the receipt of this Information Memorandum by any Recipient nor any information made available in connection with the Proposed Investment is to be taken as constituting the giving of investment advice by Mercury Securities. Mercury Securities shall not advise you on the merits or risks of the Proposed Investment or potential valuations for the Proposed Investment.

7. This Information Memorandum may not be distributed in any jurisdiction outside Malaysia except in accordance with the legal requirements applicable in such jurisdiction. No Recipient in any jurisdiction outside Malaysia may take any action upon this Information Memorandum if, in the relevant jurisdiction, such action cannot be taken by the Recipient without contravention of any relevant legal requirements. It is the sole responsibility of any Recipient wishing to take any action upon this Information Memorandum to satisfy themselves as to the full observance of the laws of the relevant jurisdiction and/or Malaysia in connection therewith, including without limitation, the receipt of the shares in our Company ("**Shares**") or cash payments upon the sale of our Shares by the Recipients, the repatriation of any money by the Recipients out of Malaysia, the obtaining of any governmental, exchange control or other consents which may be required, and the payment of any tax or duty due in such jurisdiction. Such Recipients shall be responsible for the payment of any tax or other requisite payment due in such jurisdiction, and we and Mercury Securities shall be entitled to be fully indemnified by such Recipients for any tax or payment as the Recipients may be required to pay.

8. This Information Memorandum has not been made and will not be made to ensure that our Excluded Issue complies with the laws of any jurisdiction other than Malaysia. We and Mercury Securities shall not accept any responsibility or liability in the event that any action taken by any Recipient in any jurisdiction outside Malaysia is or shall become illegal, unenforceable, voidable or void in such jurisdiction. Such Recipients shall therefore immediately consult their professional advisers in relation to the observance of the relevant legal requirements, and shall be responsible for the payment of any tax or other requisite payment due in such jurisdiction, and shall keep us and Mercury Securities fully indemnified for the payment of such taxes or payments.

PRIVACY NOTICE

The Personal Data Protection Act 2010 ("**PDPA"**) was introduced to regulate the processing of personal data in commercial transactions. The PDPA requires us to inform you of your rights in respect of your personal data that is to be collected and processed by us.

Consequently, please be informed that the personal data and other information (collectively, "**Personal Data**") that you provide will be used and processed by us in connection with our Excluded Issue only ("**Purpose**"), and not for any other purpose.

If required for the Purpose, you hereby give consent that your Personal Data may be transferred to locations outside Malaysia or disclosed to our related corporations or our vendor, agent, contractor, service provider, consultant or adviser who provide services to us, including our Placement Agent, which may be located within or outside Malaysia. Save for the foregoing, your Personal Data will not be knowingly transferred to any place outside Malaysia or be knowingly disclosed to any other third party.

Without prejudice to the Terms and Conditions of our Excluded Issue as contained in this Information Memorandum, you may at any time hereafter make inquiries, complaints and, upon payment of a prescribed fee, request in writing for access to, or correction of, your Personal Data or limit the processing of your Personal Data (as described above) by submitting such request to the following:

Postal address	:	**SL Information Berhad** c/o Boardroom.com Sdn Bhd Suite 10.03, Level 10 The Gardens South Tower Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Wilayah Persekutuan (KL)

Kindly be informed that we will assume that you have consented and we will continue to process your Personal Data in accordance with this Privacy Notice unless we hear otherwise from you. You may exercise your rights in respect of your Personal Data in the manner described above.

This Privacy Notice may be amended from time to time and would be in effect on the date as determined by us. Any amendment to this Privacy Notice shall be published on any medium as we deem fit.

CONTENTS

CONTENTS *(cont'd)*

EXCLUDED ISSUE SUMMARY

	No. of Shares '000	RM'000
Existing issued share capital	116,500	5,825
New Shares to be issued pursuant to our Excluded Issue ("**Issue Shares**")	10,500	1,890
Enlarged issued share capital upon Listing	127,000	7,715
Percentage of enlarged share capital represented by the Issue Shares		8.3%
Issue Price per Issue Share (RM)		0.18
Gross proceeds to be raised under our Excluded Issue		1,890
Market capitalisation at the Issue Price upon Listing		22,860

UTLISATION OF PROCEEDS

We intend to use the gross proceeds from our Excluded Issue as follows:

Description		Estimated Timeframe for Utilisation upon Listing	RM'000	%
(a)	Research and development expenditure	Within 24 months	700	37.1
(b)	Working capital	Within 24 months	390	20.6
(c)	Estimated Listing expenses	Immediate	800	42.3
Total			1,890	100.0

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INDICATIVE TIMETABLE

The indicative timetable for our Excluded Issue is set out below for your reference:

Date of this Information Memorandum	18 April 2018
Allotment of Issue Shares	Mid May 2018*
Listing of our Company on the LEAP Market	Mid May 2018*

Note:

* *Subject to receipt of approval-in-principle from Bursa Securities for our Listing. An announcement for the key relevant dates will be made after obtaining Bursa Securities' approval-in-principal for our Listing.*

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PRESENTATION OF INFORMATION

All references to “our Company” in this Information Memorandum are to SL Information Berhad, while references to “our Group” are to our Company and our subsidiaries. References to “we”, “us”, “our” and “ourselves” are to our Company or our Group or any member of our Group, as the context requires. Unless the context otherwise requires, references to “Management” are to our Executive Directors and our key management personnel as disclosed in this Information Memorandum, and statements as to our beliefs, expectations, estimates and opinions are those of our Management.

Words denoting the singular shall, where applicable, include the plural and *vice versa*, and words denoting the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. Reference to persons shall include companies and corporations.

Any reference to provisions of statutes, rules, regulations, enactments or rules of stock exchange shall (where the context admits), be construed as a reference to provisions of such statutes, rules, regulations, enactments or rules of stock exchange (as the case may be) as modified by any written law or (if applicable) amendments or re-enactments to the statutes, rules, regulations, enactments or rules of stock exchange for the time being in force.

Any reference to dates and times shall be a reference to dates and times in Malaysia.

In particular, certain information in this Information Memorandum is extracted or derived from the independent market research report prepared by Providence (as defined herein), an Independent Market Researcher. In compiling their data, Providence had relied on industry sources, public materials, their own private databases and direct contact within the industry. We believe that the statistical data projections cited in this Information Memorandum are useful in helping you to understand the major trends in the industry in which we operate.

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FORWARD-LOOKING STATEMENTS

This Information Memorandum contains forward-looking statements, which include all statements other than those of historical facts including, amongst others, those regarding our expected financial position, business strategies, plans, prospects and objectives of our Management for future operations. These statements can be identified by forward-looking terminology terms as “anticipate”, “believe”, “could”, “estimate”, “expect”, “if”, “intend”, “may”, “plan”, “possible”, “probable”, “project”, “should”, “will” and “would” or similar words. These forward-looking statements, including but not limited to statements as to our Group’s revenue and profitability, prospects, future plans, expected industry trends and other matters discussed in this Information Memorandum regarding matters that are not historic facts, are only predictions.

These forward-looking statements involve known and unknown risks, uncertainties and other factors beyond our control that could cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These factors include, amongst others:

- changes in the political, social and economic conditions and the regulatory environment in Singapore, Malaysia and other countries in which we conduct business; and

- changes in currency exchange rates, our future capital needs and the availability of financing and capital to fund such needs.

Some of these factors are discussed in more detail in Section 6 - Risk Factors and Section 9 – Management Discussion and Analysis of this Information Memorandum.

These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. As such, we cannot assure you that the forward-looking statements in this Information Memorandum will be realised.

These forward-looking statements are based on information available to us as at the date of this Information Memorandum. Subject to the provisions of Section 238 of the CMSA, we expressly disclaim any responsibility to update any of these forward-looking statements or publicly announce any revisions to these forward-looking statements to reflect future developments, events or circumstances, even if new information becomes available or other events occur in the future.

You will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the forward-looking statements that are contained herein.

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DEFINITIONS

Unless otherwise indicated, the following definitions shall apply throughout this Information Memorandum:

Act	:	Companies Act, 2016
Asia Pacific	:	Asia Pacific region, which includes East Asia, South Asia, Southeast Asia and Oceania
Board	:	Board of Directors of SL
Bursa Securities	:	Bursa Malaysia Securities Berhad (635998-W)
CAGR	:	Compound annual growth rate
CMSA	:	Capital Markets and Services Act 2007
Constitution	:	Constitution of SL
Directors	:	Members of our Board
EBITDA	:	Earnings before interest, tax, depreciation and amortisation
EPS	:	Earnings per Share
Excluded Issue	:	Proposed issue of 10,500,000 Issue Shares at the Issue Price to Sophisticated Investors within the meanings of Sections 229 and 230 of the CMSA
FYE	:	Financial year ended/ending, as the case may be
GP	:	Gross profit
IMR Report	:	Independent Market Research Report on the: • IT Infrastructure Technology Solution Industry in Malaysia; and • ERP Solution Industry in Malaysia
Information Memorandum	:	This Information Memorandum dated 18 April 2018 in relation to our Excluded Issue and Listing
Issue Price	:	RM0.18 per Issue Share, being the price at which each Issue Share is to be issued
Issue Shares	:	New Shares to be issued pursuant to the Excluded Issue
IT	:	Information technology
Listing	:	Proposed admission to the Official List and the listing of and quotation for our entire enlarged share capital of RM7,715,002 comprising 127,000,000 Shares on the LEAP Market of Bursa Securities
Listing Requirements	:	LEAP Market Listing Requirements of Bursa Securities
LPD	:	30 March 2018, being the latest practicable date prior to the date of this Information Memorandum
Market Day	:	Any day between Mondays and Fridays (both days inclusive) which is not a public holiday and on which Bursa Securities is open for trading of securities
Mercury Securities	:	Mercury Securities Sdn Bhd (113193-W), being the Approved Adviser, Custodian and Placement Agent for our Excluded Issue and Listing
MSC	:	Multimedia Super Corridor
NA	:	Net assets

DEFINITIONS *(cont'd)*

NBV	:	Net book value
Official List	:	The list specifying all securities listed on Bursa Securities
PAT	:	Profit after tax
PBT	:	Profit before tax
Promoters	:	Collectively, Soon Seng Teck and Yee Mee Yin
Providence	:	Providence Strategic Partners Sdn Bhd (1238910-A), being the Independent Market Researcher
Public	:	All persons or members of the public but excluding directors of our Group, our substantial shareholders and persons associated with them (as defined in the Listing Requirements)
QC	:	Quality control
R&D	:	Research and development
RM and **sen**	:	Ringgit Malaysia and sen, respectively, being the lawful currency of Malaysia
SC	:	Securities Commission Malaysia
SGD	:	Singapore Dollar, being the lawful currency of Singapore
SL or **Company**	:	SL Information Berhad (972155-K)
SL Group or **Group**	:	Collectively, SL and its subsidiaries
SL Shares or **Shares**	:	Ordinary shares in SL
SME	:	Small and medium-sized enterprise
Sophisticated Investors	:	Investors who fall within Part I of Schedule 6 or 7 of the CMSA
Tan Sri Dr. Syed Jalaludin	:	Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim
USD	:	United States Dollar, being the lawful currency of the United States of America

<u>Subsidiary of SL</u>

SL System	:	SL Information System Sdn Bhd (120268-T)
SL Solutions	:	SL Information Solutions Sdn Bhd (870847-M)

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GLOSSARY OF TECHNICAL TERMS

This glossary contains an explanation of certain terms used throughout this Information Memorandum in connection with our Group's business. The terminologies and their meanings may not correspond to the standard industry usage of these terms.

artificial intelligence	:	Technology with cognitive ability that can turn data analysis into meaningful solutions
big data	:	Technology of managing and processing large data sets within a short time frame
end-user customers	:	Ultimate customers of our Group's solutions and services
ERP	:	Enterprise resource planning is an enterprise software platform that electronically captures, stores, manages and processes information in real time. It integrates most of the crucial operational processes within an organisation such as finance, procurement, warehouse, manufacturing and sales
firewall	:	A computer network security system that is designed to monitor and control incoming and outgoing data traffic based on predetermined rules
GB	:	Gigabyte is a multiple of the unit byte for digital information, i.e. 1 billion bytes
IoT	:	Internet of Things is a term referring to the interconnection of computing devices through the Internet, enabling separate machinery and equipment to be interconnected
licensed channel partner	:	A term referring to our appointment by principals to market, distribute, install, support and/or customise their products, in accordance with the agreements between the principals and our Group
mid-market companies	:	Companies larger than SMEs but smaller than large corporations
server	:	Device that manages and transmits data to and from computers within the ethernet network (local area network) or the Internet
SLIM	:	SL Implementation Methodology is a set of documented methodology on our procedures and processes. This is used by our internal Technical team as a guide on how the delivery of enterprise IT solutions should be performed
storage device	:	Secondary storage device which stores backup copies of data
UAT	:	User acceptance test is a test that is carried out with our customer which verifies that a particular solution works
ZB	:	Zettabyte is a multiple of the unit byte for digital information, i.e. 1 trillion GB

Company No. 972155-K

1. CORPORATE DIRECTORY

BOARD OF DIRECTORS	:	Tan Sri Dr. Syed Jalaludin *Independent Non-Executive Chairman* Soon Seng Teck *Managing Director* Sim Boon Ker *Executive Director*
REGISTERED OFFICE	:	Suite 10.03, Level 10 The Gardens South Tower Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Wilayah Persekutuan (KL) Tel No. : +603 2279 3080 Fax No. : +603 2279 3090
HEAD OFFICE	:	23-6 Block D1 Jalan PJU 1/41 Dataran Prima 47301 Petaling Jaya Selangor Tel No. : +603 7804 0778 Fax No. : +603 7805 4190 Website address : www.slinfo.com.my E-mail address : marcom@slinfo.com.my
BRANCH OFFICE (SUBANG JAYA)	:	B-07-08, 7th Floor Sky Park One City Jalan USJ 25/1 47650 Subang Jaya Selangor Tel No. : +603 5036 0388 Fax No. : +603 7805 4190
BRANCH OFFICE (PENANG)	:	1-4-20, E-Gate Lebuh Tunku Kudin 2 11600 Penang Tel No. : +604 656 5688 Fax No. : +604 655 2688
COMPANY SECRETARIES	:	Tan Tong Lang (MAICSA 7045482) Chong Voon Wah (MAICSA 7055003) c/o Boardroom.com Sdn Bhd Suite 10.03, Level 10 The Gardens South Tower Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Wilayah Persekutuan (KL) Tel No. : +603 2279 3080 Fax No. : +603 2279 3090

1. CORPORATE DIRECTORY *(cont'd)*

APPROVED ADVISER, CUSTODIAN AND PLACEMENT AGENT	:	Mercury Securities Sdn Bhd L-7-2, No. 2 Jalan Solaris Solaris Mont' Kiara 50480 Kuala Lumpur Wilayah Persekutuan (KL) Tel No. : +603 6203 7227 Fax No. : +603 6207 7117
AUDITORS AND REPORTING ACCOUNTANTS	:	UHY (AF1411) Suite 11.05 level 11 The Gardens South Tower Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Wilayah Persekutuan (KL) Tel No. : +603 2279 3088 Fax No. : +603 2279 3099
LEGAL ADVISER	:	Raja, Darryl & Loh 18th Floor Wisma Sime Darby Jalan Raja Laut 50350 Kuala Lumpur Wilayah Persekutuan (KL) Tel No. : +603 2694 9999 Fax No. : +603 2698 4759
SHARE REGISTRAR	:	Shareworks Sdn Bhd No. 2-1 Jalan Sri Hartamas 8 Sri Hartamas 50480 Kuala Lumpur Wilayah Persekutuan (KL) Tel No. : +603 6201 1120 Fax No. : +603 6201 3121
INDEPENDENT MARKET RESEARCHER		Providence Strategic Partners Sdn Bhd L-2-1, Plaza Damas No. 60 Jalan Sri Hartamas 1 Sri Hartamas 50480 Kuala Lumpur Wilayah Persekutuan (KL) Tel No. : +603 7725 2288
LISTING SOUGHT	:	LEAP Market of Bursa Securities

2. DETAILS OF OUR LISTING

2.1 Listing Scheme

2.1.1 Excluded Issue

Pursuant to our Listing, we intend to issue 10,500,000 Issue Shares, representing approximately 8.3% of our enlarged issued share capital at RM0.18 per Issue Share to Sophisticated Investors within the meanings of Sections 229 and 230 of the CMSA.

In accordance with Rule 3.10 of the Listing Requirements:

(i) we undertake to open a trust account with a financial institution licensed by Bank Negara Malaysia ("**Trust Account**") where all monies received from the Sophisticated Investors pursuant to subscription of shares will be deposited into the Trust Account jointly operated by both our Company and Mercury Securities;

(ii) both Mercury Securities and ourselves undertake that all monies deposited in the Trust Account will not be withdrawn until the date of our Listing; and

(iii) we undertake to repay without interest all monies received from the Sophisticated Investors if:

   (a) our Listing does not take place within 6 months from the date of Bursa Securities' approval for our Listing or such further extension of time as Bursa Securities may allow ("**Period**"); or

   (b) we abort our Listing.

   In such event, the monies will be repaid within 14 days from the end of the Period or the date when we notify Bursa Securities of our decision to abort our Listing. Should we fail to do so, in addition to our Company's liability, our Board shall be jointly and severally liable to repay such money with interest at the rate of 10% per annum from the end of the period or such other rate as Bursa Securities may prescribe.

2.1.2 Basis of arriving at the Issue Price

Our Board, together with Mercury Securities, had determined and agreed on the Issue Price of RM0.18 per Share after taking into consideration the following factors:

(a) our competitive strengths as set out in Section 4.4 of this Information Memorandum;

(b) our business strategies and future plans and prospects as set out in Sections 4.14 and 4.15 of this Information Memorandum; and

(c) our operating history and financial performance as set out in Sections 8 and 9 of this Information Memorandum, which represents an implied price-earnings multiple of approximately 5.5 times based on our EPS of 3.3 sen for the FYE 31 December 2017.

Prior to our Listing, there was no public market for our Shares within or outside Malaysia. You should note that the market price of our Shares subsequent to our Listing is subject to the vagaries of market forces and other uncertainties that may affect the price of our Shares being traded. You are reminded to carefully consider the risk factors as set out in Section 6 of this Information Memorandum and form your own views on the valuation of our Shares before deciding to invest in them.

2.1.3 Utilisation of proceeds

Based on the Issue Price, we expect to raise gross proceeds of approximately RM1.9 million from our Excluded Issue, which are intended to be utilised in the following manner:

Description		Estimated Timeframe for Utilisation upon Listing	RM'000	%
(a)	R&D expenditure	Within 24 months	700	37.1
(b)	Working capital	Within 24 months	390	20.6
(c)	Estimated listing expenses	Immediate	800	42.3
Total			1,890	100.0

Further details of the utilisation of our Excluded Issue proceeds are as set out below:

(a) R&D expenditure

We intend to utilise approximately RM0.7 million of the proceeds for R&D purposes in conjunction with our plan to have a dedicated R&D team to focus on the enhancement of our MontainTop solutions as outlined in Section 4.14 of this Information Memorandum, which shall include but are not limited to, investments in software and recruitment of experienced R&D personnel.

(b) Working capital

Our working capital requirements are expected to increase in line with our intended business expansion as outlined in Section 4.14 of this Information Memorandum. Thus, we intend to allocate approximately RM0.4 million of the proceeds for the day-to-day operations of our Group, which shall include but are not limited to, staff related expenses, payments to suppliers and other creditors, and general expenses such as utilities charges, administrative expenses and other operating expenses as well as finance our marketing and promotional activities.

(c) Estimated listing expenses

The proceeds allocated for our listing expenses include professional fees, fees payable to relevant authorities and other miscellaneous expenses in relation to our Excluded Issue and Listing.

In the event that the actual amounts vary from the above estimates, the excess or deficit, as the case may be, would be reallocated to/from the amount earmarked for working capital.

Pending the utilisation of proceeds for the abovementioned purposes, the proceeds, save for the estimated listing expenses of approximately RM0.8 million, will be placed in short term deposits with licensed financial institutions and/or short-term money market instruments.

2.1.4 Listing on Bursa Securities

Our Listing is subject to the receipt of an approval-in-principle from Bursa Securities. Thus, we have concurrently made an application to Bursa Securities for the admission of our Company to the Official List and the listing of and quotation for our entire enlarged share capital of RM7,715,002 comprising 127,000,000 Shares on the LEAP Market of Bursa Securities and are awaiting Bursa Securities' decision on the same.

2.2 Share Capital

	No. of Shares '000	RM'000
Existing issued share capital	116,500	5,825
New Shares to be issued pursuant to our Excluded Issue	10,500	1,890
Enlarged issued share capital upon Listing	127,000	7,715
Issue Price per Issue Share (RM)		0.18
Market capitalisation at the Issue Price upon Listing		22,860

We have only one class of shares in our Company, namely ordinary shares. The Issue Shares will, upon allotment and issuance, rank *pari-passu* in all respects with our existing Shares, including voting rights and rights to all dividends and other distributions that may be declared subsequent to the date of allotment of the Issue Shares.

Subject to any special rights attached to any shares which we may issue in the future, our shareholders shall, in proportion to the amount paid up on the Shares held by them, be entitled to share in the profits paid out by us as dividends and other distributions. Similarly, if our Company is liquidated, our shareholders shall be entitled to any surplus in accordance with our Constitution.

At any general meeting of our Company, each shareholder shall be entitled to vote in person or by proxy or by attorney or by duly authorised representative. Each shareholder shall be entitled to appoint more than 1 proxy to attend and vote at any general meeting of our Company. A proxy may but need not be a member of our Company and there shall be no restriction as to the qualification of the proxy. On a poll, each shareholder present either in person or by proxy or by attorney or by other authorised representative shall have one vote for each Share held.

2.2.1 Shareholding structure

Our shareholding structure before and after our Listing are as set out below:

Shareholder	Before Listing		After Listing	
	No. of Shares '000	%	No. of Shares '000	%
Promoters and/or substantial shareholders	93,500	80.3	93,500	73.7
Existing Public shareholders	23,000	19.7	23,000	18.0
New Public shareholders	-	-	10,500	8.3
Total	116,500	100.0	127,000	100.0

2.2.2 Cost of investments

Our existing shareholders' cost of investment in our Shares for the past one year are as follows:

Shareholder	Month	Total Cost of Investment	No. of Shares	
		RM'000	'000	*%
Ang Kar Heng	November 2017	275	5,500	4.7
Lew Wai Kit	November 2017	50	1,000	0.9
Dato' Tan Choo Teck	November 2017	275	5,500	4.7
Tan Koh Young	November 2017	275	5,500	4.7
Tham Kam Cheong	November 2017	275	5,500	4.7

Note:

* *Computed based on our existing issued shares of 116,500,000 SL Shares.*

2.3 Purpose of Our Listing

The purpose of our Listing is to:

(i) enhance the corporate profile of our Group;

(ii) enable us to tap the capital markets to fund the future expansion of our operations;

(iii) provide Sophisticated Investors who are our employees, business associates and those who have contributed to the success of our Group as well as other members of the Public with an opportunity to participate in the equity of our Company; and

(iv) establish liquidity for our Shares.

2.4 Dividend Policy

We may declare dividends by ordinary resolution of our shareholders at a general meeting, but we may not pay dividends in excess of the amount recommended by our Board. The declaration and payment of dividends will be determined at the sole discretion of our Board, subject to the approval of our shareholders. Our Board may also declare an interim dividend without the approval of our shareholders. In making their recommendations, our Board will consider, amongst other things, our retained earnings, expected future earnings, operations, cash flow, capital requirements, general business and financing conditions, as well as other factors which our Board may determine appropriate.

Historically, we have declared and paid the following dividend:

	FYE 31 December		
	2015	2016	2017
	RM'000	RM'000	RM'000
Dividend declared and paid	2,000	2,000	6,500*
% of PAT	57.1	92.1	154.6

2. DETAILS OF OUR LISTING *(cont'd)*

Note:

* *Comprising cash dividend of approximately RM3.5 million and dividend in specie of approximately RM3.0 million via set off against other receivables.*

We currently do not have a fixed dividend policy. Upon Listing, our Board intends to adopt a stable and sustainable dividend policy to reward our shareholders for participating in our Group's growth, while maintaining an optimal capital structure and ensuring sufficient funds for our future growth. In this regard, we envisage a dividend payout ratio of up to 20% of our future net profits to our shareholders in each financial year.

However, you should take note that this dividend policy merely describes our present intention and shall not constitute legally binding statements in respect of our future dividends which may be subject to modification (including reduction or non-declaration thereof) in our Board's absolute discretion.

Our ability to pay future dividends to our shareholders is subject to various factors, including but not limited to our financial performance, cash flow requirements, availability of distributable reserves and capital expenditure plans.

As we are an investment holding company, our income and therefore, our ability to pay dividends depends on the dividends we receive from our subsidiaries. The payment of dividends by our subsidiaries will depend on their distributable profits, financial performance, financial condition, capital expenditure plans and other factors that their respective boards of directors deem relevant.

3. OVERVIEW OF OUR GROUP

3.1 Incorporation and History

We are an enterprise IT solution provider with a range of complementary solutions comprising IT infrastructure technology, ERP solutions and value-added enterprise software solutions.

Our Company was incorporated in Malaysia under the Act as a private limited company on 19 December 2011 under the name SL Information Sdn Bhd. On 17 November 2017, our Company was converted into a public limited company and assumed our present name to facilitate the listing of our Group on the LEAP Market of Bursa Securities.

Our Company is principally an investment holding company, whilst our subsidiaries, namely SL System and SL Solutions, are principally involved in the provision of enterprise IT solutions.

Our customer base spans across SMEs to mid-market companies and large corporations across Peninsular Malaysia and East Malaysia. Among the customers with whom we have successfully forged longstanding relationships are Astino Berhad, Tokio Marine Life Insurance Malaysia Berhad and UMW Corporation Sdn Bhd.

We commenced our IT infrastructure technology business as distributors of IBM Corporation's hardware and software in 1987. Over the years, we began to implement these hardware and software as solution systems that allow backup and recovery, high availability and server virtualisation.

We expanded our range of solutions to include ERP solutions in 1995 when we became a licensed channel partner for Pronto Software *(formerly known as Prometheus Software)*. In 2000, our ERP solution range extended to include Infor M3 *(formerly known as MOVEX)*.

We further expanded our range of solutions to include value-added enterprise software solutions in 2005 when we became a licensed channel partner for Cognos, a business intelligence analytics solution. Since then, we continued to extend our value-added enterprise solution range to include Open Text (a customer communication management solution) in 2011 and Optimity (a demand planning and supply chain management solution) in 2015.

We also began offering enterprise solutions under our own in-house 'MountainTop' brand in 2015 when we launched MountainTop Electronic Document Management System in collaboration with an external party. This value-added enterprise software solution enables archiving and retrieval of digital documents which caters to the growing digitalisation trend amongst enterprises.

Subsequently, we leveraged on our technical expertise as well as understanding of market trends and needs to venture into software design and development. This led to the launch of MountainTop Mobility, a value-added enterprise software solution which allows remote data access, in January 2017.

3.2 Key Milestones and Achievements

The table below sets out our key milestones/ achievements:

Year	Key Milestones / Achievements
1987	We commenced business in IT infrastructure technology when we were appointed by Mesiniaga Sdn Bhd to market and distribute IBM Corporation's products
1995	• We expanded into ERP solutions when we were appointed as a licensed channel partner for Pronto Software • We were awarded "IBM ASEAN/South Asia Customer Satisfaction Leader" by IBM Malaysia Sdn Bhd
1996	We were awarded "IBM Business Partner of the Year" by IBM Malaysia Sdn Bhd
1997	We were awarded "IBM Best Customer Satisfaction - Malaysia" by IBM Malaysia Sdn Bhd
2000	We were appointed as a licensed channel partner for Infor M3
2005	We expanded into value-added enterprise software solutions when we were appointed as a licensed channel partner for Cognos
2008	We were appointed as a licensed channel partner for Hewlett Packard servers by Hewlett Packard (M) Sdn Bhd
2010	Our subsidiary, SL Solutions, obtained MSC Malaysia status, which accorded the company benefits under the Bill of Guarantees such as ease of hiring local and foreign knowledge workers and competitive telecommunication tariffs
2011	We were appointed as a licensed channel partner for Open Text
2015	• We were appointed as a licensed channel partner for Optimity • We launched our own MountainTop Electronic Document Management System • We were awarded the "Fastest Growing Partner of the Year" by Acronis Asia Pte Ltd • We were awarded the "High Performance Club – IBM/Lenovo" by First Solution Sdn Bhd
2016	• We were awarded the "Manufacturing Partner of the Year" by Infor (Malaysia) Sdn Bhd • We were awarded the "Top Business Partner Award 2015/16" by First Solution Sdn Bhd • We were awarded the "Lenovo Top Performance for Small Medium Big Partner 2015/16 (Commercial)" by First Solution Sdn Bhd
2017	We launched our own MountainTop Mobility

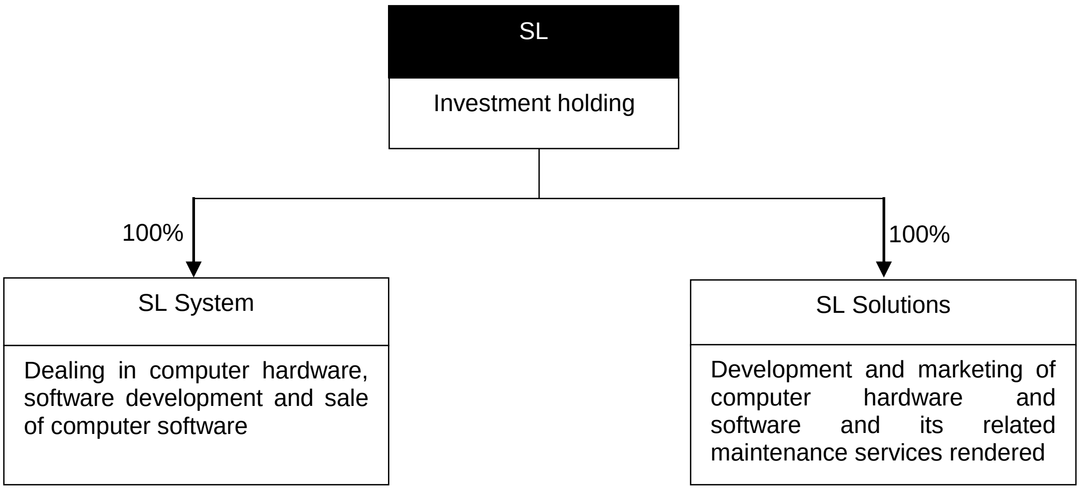
3.3 Restructuring Exercise

In November 2017, to facilitate our Listing and as part of our internal restructuring, SL acquired the entire equity interests in SL System and SL Solutions for a consideration of approximately RM5.8 million, after taking into consideration the NA as at 30 June 2017 of approximately RM5.6 million, which was fully satisfied *via* the issuance of approximately 116.5 million new Shares in our Company as follows:

Vendor	No. of shares acquired	Purchase consideration	No. of Shares issued
	'000	**RM'000**	**'000**
Soon Seng Teck	1,563	4,550	91,000
Yee Mee Yin	43	125	2,500
Ang Kar Heng	94	275	5,500
Lew Wai Kit	18	50	1,000
Dato' Tan Choo Teck	94	275	5,500
Tan Koh Young	94	275	5,500
Tham Kam Cheong	94	275	5,500
Total	**2,000**	**5,825**	**116,500**

3.4 Group Structure

Our Group structure as at the date of this Information Memorandum is as follows:



As at the LPD, the details of our subsidiaries, which are all incorporated in Malaysia, are as follows:

Company	Date of Incorporation	Date of Commencement of Business	Issued Share Capital	Effective Equity Interest
			RM'000	**%**
SL System	23 May 1984	22 October 1987	2,000	100
SL Solutions	4 September 2009	1 July 2011	500	100

Company No. 972155-K

4. OVERVIEW OF OUR BUSINESS

4.1 Principal Activities and Products

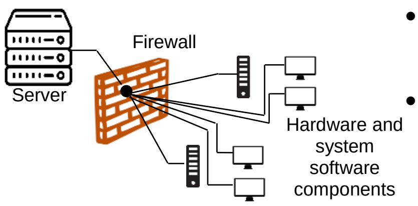
We are an enterprise IT solution provider, and our principal activities are as illustrated below:

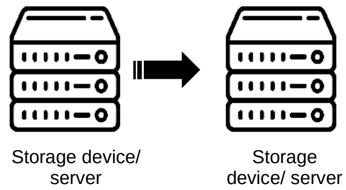
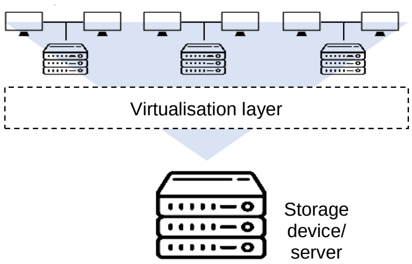
Principal activity	Types of solutions	Major industries served
Provision of IT infrastructure technology solutions	• Backup and recovery solutions • High availability solutions • Server virtualisation solutions • IT hardware and software	Manufacturing Construction Retail Distribution Finance
Provision of enterprise software solutions	ERP solutions comprising: • Pronto • Infor M3	
	Value-added enterprise software solutions comprising: • MountainTop solutions, digital document management solutions • OpenText, a customer communication solution • Optimity, a demand planning and supply chain management solution • Cognos, a business intelligence analytics solution	

(i) Provision of IT infrastructure technology solutions

IT infrastructure technology solutions refer to a collection of hardware, system software, network resources and related accessories required in the operation and management of an enterprise's IT environment.

The following are types of IT infrastructure technology solutions that we offer:

IT infrastructure technology	Description
Backup and recovery solutions 	• Allow for scheduled backups and archiving in order to record, store and retain digital data. • This involves the setting up of disc and tape storage devices and server software.

IT infrastructure technology	Description
High availability solutions 	• Mirror data stored in a separate storage device/server on a real-time basis. • Allow for data recovery to be performed almost instantaneously in the event of any outages or disasters to the primary production servers. • Typically used in enterprises with critical need to minimise business disruptions.
Server virtualisation solutions 	• Server virtualisation is a technology that partitions 1 physical server into multiple isolated virtual servers. • Allow for various operating system environments to run on a single server. • This enables the sharing of servers across different business applications or business divisions, thus optimising and increasing the utilisation rate of the server.
IT hardware and software	• Refers to the provision of individual hardware (such as servers, tape and disc storage devices) as well as system software (such as operating system, network and security software).

By working with established third-party hardware and software providers, we are able to design, configure and implement IT infrastructure technology solutions that are suited to our customers' needs. Further, we also provide maintenance support, training services and upgrading services.

(ii) Provision of enterprise software solutions

Enterprise software solutions are business process management software that allow an enterprise to automate its business operations, including sales, inventory management, procurement, finance and accounting, manufacturing planning and execution.

We are able to consult, customise and implement these solutions based on our customers' needs. In addition, we also assist our customers with maintenance, training, upgrading and after-sales technical support services.

The enterprise software solutions that we offer can be segmented into:

- **ERP solutions**

  ERP solutions are enterprise software platforms that electronically capture, store, manage and process information in real time.

  It integrates most of the crucial operational processes within an organisation, i.e.: finance, procurement, warehouse, manufacturing and sales.

4. OVERVIEW OF OUR BUSINESS *(cont'd)*

We offer 2 ERP solutions, i.e. Pronto and Infor M3:

ERP solution	Description
Pronto	• Suitable for SMEs and mid-market companies where the business environment is dynamic. • Can accommodate addition of new modules in line with business growth. • Designed to work on multiple platforms (e.g. web, mobile and cloud) and databases.
Infor M3	• Suitable for relatively larger enterprises where business processes have higher complexity. • Designed to work on multiple sites, languages and databases.

- **Value-added enterprise software solutions**

Value-added enterprise software solutions optimise the usage of data captured and stored through ERP solutions.

We have 2 solutions under our own MountainTop brand, specifically in different aspects of digital document management:

MountainTop Electronic Document Management System

Purpose:
Digitises documentations and business processes

MountainTop Mobility

Purpose:
Enables remote access of data through mobile devices

In order to cater to our customers' needs, our MountainTop solutions can be used on both iOS and Android operating systems, thus allowing any mobile devices to connect to its mobile application.

We are also licensed channel partners for the following value-added enterprise software solutions:

OpenText

Purpose:
Customer communication management

- Generates automated emails, invoices, statements as well as maintains after-sales support chats

Optimity

Purpose:
Demand planning and supply chain management

- Identifies plans that will deliver maximum profit, based on historical data trends and market intelligence

Cognos

Purpose:
Business intelligence analytics

- Provides predictive analytics and scenario analytics based on historical patterns

4.2 Principal Agreements

We have entered into contracts or agreements with the principals for some of our solutions as follows:

Principal	Date / Duration of Contract	Salient Terms
Pronto Software Pty Ltd ("**Pronto**")	24 April 1997 / Remains effective until terminated by either party by providing 90 days written notice	• SL Solutions has been appointed as distributor with the right to distribute, market, install and provide support for Pronto software in Malaysia. • Pronto may terminate the agreement immediately by notice in writing if: (i) any payment due from SL Solutions to Pronto remains unpaid for a period of 30 days or more; (ii) SL Solutions breaches any clause of the agreement and such breach is not remedied within 21 days of written notice by SL Solutions; (iii) SL Solutions disposes the Pronto software (iv) SL Solutions becomes, threatens or resolves to become or is in jeopardy of becoming subject to any form of insolvency administration; (v) SL Solutions ceases or threatens to cease conducting its business in the normal manner.
Infor (Malaysia) Sdn Bhd ("**Infor**")	28 November 2012 / Remains effective until terminated by either party by providing at least 60 days written notice of non-renewal period; for termination for convenience, either party may terminate the agreement upon 120 days written notice to another party	• SL Solutions has been appointed as licensed channel partner and has been granted a non-exclusive, personal, revocable, non-transferable and non-assignable licence to use solely in a non-production environment in Malaysia. • The agreement shall terminate as of the last day of any fiscal year if SL Solutions fails to achieve the minimum criteria for the associate level as specified on the Infor Partner Network Portal ("**IPN Portal**") for such fiscal year.

Principal	Date / Duration of Contract	Salient Terms
Infor *(cont'd)*		• The agreement may be terminated immediately by Infor upon written notice to SL Solutions in the event: (i) SL Solutions distributes products other than pursuant to the terms of the agreement or otherwise discloses Infor's confidential information. (ii) SL Solutions becomes bankrupt, insolvent or unable to pay its debts as and when due or enters into any arrangement for the composition, extension or readjustment of all or substantially all of its obligations or files for any such procedures; (iii) SL Solutions is subject to a change of control such that those persons or entities who singly or together controlled (directly or indirectly) more than 50% of the voting interest of SL Solutions as of the effective date no longer do so; (iv) Infor is prohibited from or hindered in exporting product into Malaysia, receiving moneys from Malaysia or otherwise transacting business in Malaysia due to applicable law, edict or regulation; (v) in Infor's reasonable determination, SL Solutions acts in bad faith and in a manner intended to harm the interests of Infor; or (vi) SL Solutions uses Infor's intellectual property or proprietary or confidential information in connection with providing or offering services to a 3rd party, other than as expressly permitted under the agreement or otherwise authorised in writing by Infor.

4. OVERVIEW OF OUR BUSINESS *(cont'd)*

Principal	**Date / Duration of Contract**	**Salient Terms**
Infor *(cont'd)*		• If Infor makes a material change to the terms and content on the IPN Portal that is detrimental to SL Solutions, then SL Solutions may, within 30 days of such material change, terminate the agreement upon providing Infor with 60 days prior written notice. • Without prejudice to any other rights hereunder, Infor may suspend SL Solutions' right to provide support services or SL Solutions services to end users where Infor determines that SL Solutions fails to exercise reasonable skill and care in the provision of support services to end users.
Hewlett Packard (M) Sdn Bhd ("**HP**")	7 April 2008 / Remains effective until terminated by either party by providing 7 days written notice	• SL System has been appointed as reseller and been granted a right to purchase HP products through a distribution channel and to resell the products to end customers in Malaysia. • The agreement shall be terminated in the event that: (i) SL does not participate in a HP program for a period of 12 months; and (ii) it is superseded by another agreement entered into by the parties with respect to the same subject matter.
Open Text (Asia) Pte Ltd ("**OTPL**")	1 July 2011 / Remains effective until terminated by either party by providing 30 days written notice	• SL System has been appointed as reseller and service partner and been granted a non-exclusive and non-transferable license to supply and provide services for OTPL products in Malaysia. • The occurrence of any of the following events shall constitute an event of default under the agreement:

Principal	Date / Duration of Contract	Salient Terms
OPTL *(cont'd)*		(i) SL System fails to comply with any term, condition or covenant contained in the agreement, including but not limited to SL System's failure to pay any amounts owing to OTPL; (ii) a petition in bankruptcy is filed by or against SL System or a receiver or trustee of any property of SL System is appointed, or SL System files a petition for an arrangement under any provisions of bankruptcy or receivership laws, or any other laws, or makes an assignment for the benefit of creditors or is adjudged insolvent court; (iii) SL System is dissolved, liquidated or terminated, or SL System is sold or otherwise transferred (or all or substantially all of the assets of SL System) are sold or otherwise transferred or SL System ceases its ongoing business operations, sales activity of support services, without OTPL's prior written consent; or (iv) the passage of any legislation which would impair or jeopardise the ability of OTPL to maintain OTPL's proprietary rights in the OTPL products and/or the documentation. • If any one or more events of default shall have occurred, OTPL shall have the right and power, all in the sole discretion of OTPL, to exercise one or more of the following remedies: (i) to terminate the agreement, effective immediately upon written notice to SL System; and/or

Principal	Date / Duration of Contract	Salient Terms
OPTL *(cont'd)*		(ii) it is agreed by the parties that breach of the agreement by SL System causes irreparable damage to OTPL and that in the event of such breach OTPL shall have, in addition to any and all remedies of law, the right to an injunction, specific performance or other equitable relief to prevent the violation of SL System's obligations. OTPL has the right to go for any alternate remedy in accordance to law.
Arkibiz MSC Sdn Bhd	10 July 2012 / Remains effective until terminated by either of the party by providing written notice of non-renewal to the other, not less than 60 days prior to the expiry of the then current term	• SL Solutions has been appointed as reseller and has been granted on a non-exclusive and royalty free license to market and distribute electronic records management system (known as Ebikko Software) to end users within South East Asia. • In the event of a force majeure, the parties may mutually terminate the agreement.
Optimity Pte Ltd ("**Optimity**")	26 October 2015 / Remains effective until terminated by either of the party by providing 90 days written notice prior to expiration of the term	• SL Solutions has been appointed as reseller to sell Optimity Demand and Supply Balance Application ("**Optimity Software**") within Malaysia. • Pursuant to the agreement, SL Solutions is authorised to copy, adapt and use Optimity Software only to the extent necessary to make it available to customers on a commercial basis. • The agreement may be terminated as follows:

Principal	Date / Duration of Contract	Salient Terms
Optimity*(cont'd)*		(i) In the event of breach of the agreement by one party, the affected party is entitled to give notice to the other party in relation to such default. If this default is not remedied within 45 days after the notice is given by the affected party, then the affected party has the right to terminate the agreement by giving a further notice to terminate. The termination shall be effective, 30 days after the further notice of termination is given by the affected party to the other party; (ii) If the sales targets are not met by SL Solutions, Optimity has the right to either cancel the agreement, or to convert the agreement to a non-exclusive agreement; or (iii) If either party becomes an adjudged bankrupt or is insolvent and remains undischarged or unstayed for a period of 60 days, then, after the 60 days period have lapsed, the other party shall have the right to terminate the agreement by giving the aforementioned party 30 days notice to terminate the agreement. • Either party have the right to terminated the agreement by giving 30 days of notice to the other party when a party: (i) institutes proceedings to be adjudicated a voluntary bankrupt; or (ii) consents to the filing of a bankruptcy proceeding against it; or files a petition, answer; or (iii) consent seeking reorganisation under any bankruptcy act or any similar applicable law; or

Principal	Date / Duration of Contract	Salient Terms
Optimity*(cont'd)*		(iv) consents to the appointment of a receiver, liquidator, trustee, or assignee in bankruptcy or insolvency over such party or over all or substantially all of such party's property; or (v) makes a general assignment for the benefit of creditors; or admits in writing its inability to pay its debts generally as they become due.

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4.3 Revenue Model

Our revenues are derived from 2 sources:

(i) Project based sales

Project based sales generate one-off fees when customers engage us to provide technical consultancy, design and configuration, installation and commission of IT infrastructure technology or ERP solutions. In addition, upgrading services are also a form of project based sales.

(ii) Retainer based contracts

The revenue obtained from our customers for maintenance and training support services are on a retainer basis. Retainer based contracts generate recurrent revenue when our customers pay for our support in providing these services on an annual basis, quarterly basis and/or when required.

4.4 Our Competitive Strengths

We believe that our historical successes and future prospects are underpinned by the following competitive strengths:

(i) We have a wide and complementary range of enterprise IT solutions

Our range of solutions have expanded from IT infrastructure technology solutions to include ERP solutions and value-added enterprise software solutions. Further, our range of enterprise IT solutions are also complementary.

As an illustration, our IT infrastructure technology solutions are able to provide the infrastructure upon which our enterprise software solutions are built. Meanwhile, our value-added enterprise software solutions enhance and optimise the usage of data captured and stored through our ERP solutions.

We believe that this provides our customers with the following benefits:

- **Convenience of dealing with a single solution provider -** Customers can procure a range of enterprise software solutions and IT infrastructure technologies from us, as opposed to sourcing from separate solution providers. This offers our customers the benefit of convenience, particularly in handling maintenance support and after-sales services.

- **Customised consultation -** As we have a wide range of solutions, we are able to consult, design and implement solutions that are suitable for our customer's industry and business size, while taking into account their budget.

- **Better time management -** As we provide our customers with a wide and complementary range of enterprise solutions and services, our customers can reduce time spent on sourcing various solutions and ensuring solutions operate on the same platform.

(ii) We have technical experience and know-how in providing enterprise IT solutions

We have in-house software development capabilities which allow us to develop new software solutions and/or undertake modifications, customisations and software solutions updates.

We focus on delivering quality solutions to enterprises in the construction, manufacturing, distribution, retail and finance industries. As our technical team has built their expertise and know-how in these industries, we have a comprehensive understanding of the requirements of enterprises operating such businesses. Our technical team's knowledge and experience garnered over a track record period of 30 years have been consolidated into a base solution framework. This base solution framework allows us to ensure consistent outcomes when we deliver our enterprise IT solutions.

Further, we are also able to add value to our customers' businesses through proposing best practices in solution design. Nevertheless, we will continue to carry out R&D activities to ensure that we can meet evolving market needs.

(iii) We have direct engagement with our end-user customers

Our business model entails our direct engagement with end-user customers, from the generation of sales leads to customer relationship management. We further secure retainer based contracts with our end-user customers, which are a source of recurring revenue for our Group. As such, this has allowed us to build strong and lasting relationships with end-user customers, for the long-term sustainability of our Group's business.

Having adopted this approach since we commenced business, we have developed long term relationships with most, if not all, of our customers. Our repeated sales from customers are testimony of our market standing as well as evidence of our proven track record.

We believe that our strong network of customers will allow us to successfully expand our range of solutions, allowing us to develop new solutions and/or market and sell other third-party solutions. More importantly, we recognise that our business model has enabled us to build a resilient market presence over the years, and will continue to be fundamental for our Group's future sustainability in the business.

(iv) We have an experienced and committed management and technical team

We have been operating our business for over 3 decades, and we are led by an experienced and committed Board and management team. Our key management team has extensive experience across a broad spectrum of business activities, from operations to finance to sales and marketing. Their experience, drive and passion for our business have been instrumental to our Group's vision and growth strategies.

Further, our key management team is supported by a strong technical team. Our technical team enables us to have a comprehensive understanding of our customers' business and industry requirements, thus facilitating us in adding value to our customers.

4.5 Quality Assurance and Control Procedure

Our procedures and processes have been documented in our SLIM**.** Thus, our technical team maintains an internal quality management system based on SLIM. This ensures that our solutions and services are implemented through procedures and processes which allow us to monitor performance and control output quality.

We adhere to the following quality assurance and control procedures:

Pre-installation QC procedures

This QC procedure occurs just before project installation begins and after the required IT solutions (i.e. IT infrastructure technology or ERP solutions) have been delivered.

Pre-installation QC procedures refer to procedures which ensure:

(i) the solutions delivered are in accordance with the specifications and quantity ordered;

(ii) all hardware and software supplied come with a warranty. This is to ensure that any products that are defective or do not comply with stated product specifications within the warranty period will be replaced or rectified by our vendors or ourselves; and

(iii) there is no damage to the physical packaging of the products.

System handover QC procedures

Upon installation, our technical team will perform an integration test. This test is performed to ensure compatibility of our IT infrastructure technology or ERP solutions with the end-user customers' existing IT hardware and software.

Once our technical team has successfully implemented the solutions, a UAT is carried out with the customer and the customer will then sign-off the Certificate of Acceptance for acknowledgement that the solutions have been successfully implemented.

4.6 R&D

Our R&D activities are carried out by our technical team. As we do not currently have a formal R&D team, we did not recognise any expenditure for R&D activities.

Nevertheless, we recognise the importance of R&D to ensure that we remain competitive and sustain our continuous growth. Our present R&D activities are as follows:

(i) Continuous customisation of enterprise IT solutions to meet evolving market trends, customer demands and emerging technologies

Our past and ongoing R&D activities have been primarily focused on the customisation of each IT solution to our customer's specifications and needs.

We have conceptualised and created a base solution framework for the construction, manufacturing, retail, distribution and finance industries. With this framework, we can optimise our learning curve of best practices for the implementation of enterprise IT solutions for each industry. Further, it allows us to build on our existing domain knowledge to focus on learning and identifying new best practices to add value to our customers.

(ii) Enhancement of MountainTop Mobility

MountainTop Mobility was conceptualised based on customer feedback and market intelligence gathering from industry trends where we realised there was a demand for remote access of documents. This solution was developed by leveraging on our technical team's expertise in enterprise IT solutions.

We are performing continuous R&D to enhance MountainTop Mobility and are working to customise this solution to suit the commercial needs of our customers.

4.7 Marketing and Sales Strategies

All of our sales are carried out by our sales team and we generate sales through a direct approach which entails targeting end-user customers.

We market our solutions through the following means:

(i) Personal and professional referrals

Our business approach of adding value to our customers has cultivated brand loyalty and goodwill. Our customers routinely refer new business to us by 'word of mouth', and the resulting customers have confidence in our solutions and services. We will continue to cultivate brand loyalty among our existing customers.

(ii) Seminars and events

We participate in seminars and events to share our knowledge and expertise in enterprise IT solutions. Our Vice President of Enterprise Software Solutions, Mr. Kuan Wing Hong was also invited to represent our Group in delivering a speech at the "Access the ASEAN Enterprise IoT Market" event by Asia IoT Business Platform in 2016.

We believe these events allow us to attract prospective customers and business associates while keeping our existing customers and business associates up-to-date with the enterprise IT solutions available in the market. Further, it also allows us to create market awareness for our brand and range of IT solutions.

(iii) Leveraging on promotional activities organised by third-party solution providers

We also leverage on events and promotional activities launched by third-party solution providers to build our customer network.

(iv) Corporate website

Our corporate website details our software solutions and services and is also an avenue for us to educate the public on our brand, vision and values. We invest in increasing our corporate website's visibility and traffic count through search engine optimisation (SEO) and our social media platforms.

4.8 Major Customers

Our top 5 customers for the FYE 31 December 2015, FYE 31 December 2016 and FYE 31 December 2017 respectively are as follows:

Customer	FYE 31 December 2015	Length of Business Relationship
	%	(years)
AmMetLife Insurance Berhad	11.2	2
Kian Joo Can Factory Bhd	3.6	12
MSM Malaysia Holdings Berhad	3.1	4
Cement Industries (Sabah) Sdn Bhd	2.7	6
Tokio Marine Life Insurance Malaysia Bhd	2.0	18
Total contribution	**22.6**	

Customer	FYE 31 December 2016	Length of Business Relationship
	%	(years)
NS BlueScope Asia Sdn Bhd	8.6	14
URC Snack Foods (M) Sdn Bhd	7.1	6
MetLife Solutions Pte Ltd	6.0	1
Lam Soon Edible Oils Sdn Bhd	3.7	14
MSIG Insurance (Malaysia) Bhd	5.3	24
Total contribution	**30.7**	

Customer	FYE 31 December 2017	Length of Business Relationship
	%	(years)
Hap Seng Management Services	5.3	10
MSM Malaysia Holdings Berhad	3.1	4
Etika Sdn Bhd	3.8	14
UMW IT Services Sdn Bhd	1.6	1
Bank Islam Malaysia Berhad	1.2	1
Total contribution	**15.0**	

The change in our top 5 customers from year to year reflects that we are not reliant on any one major customers. This is because we have a diverse customer base comprising customers who operate in various industries, whereby the total number of customers for the FYE 31 December 2017 amounted to 180.

4. OVERVIEW OF OUR BUSINESS *(cont'd)*

4.9 Major Suppliers

Our top 5 suppliers for the FYE 31 December 2015, FYE 31 December 2016 and FYE 31 December 2017 respectively are as follows:

Supplier	FYE 31 December 2015	Length of Business Relationship
	%	(years)
First Solution Sdn Bhd	37.4	19
Avnet Technology Solutions (M) Sdn Bhd	15.2	20
Pronto Software Pty Ltd	10.2	23
Computer Business Solutions Sdn Bhd	8.3	13
Open Text (Asia) Pty Ltd	3.6	14
Total contribution	**74.7**	

Supplier	FYE 31 December 2016	Length of Business Relationship
	%	(years)
First Solution Sdn Bhd	54.7	19
Avnet Technology Solutions (M) Sdn Bhd	20.1	20
Pronto Software Pty Ltd	12.2	23
IBM Malaysia Sdn Bhd	5.2	23
Ingram Micro (Malaysia) Sdn Bhd	5.0	10
Total contribution	**97.2**	

Supplier	FYE 31 December 2017	Length of Business Relationship
	%	(years)
First Solution Sdn Bhd	29.3	19
Avnet Technology Solutions (M) Sdn Bhd	15.8	20
Pronto Software Pty Ltd	10.9	23
Ingram Micro (Malaysia) Sdn Bhd	5.2	10
IBM Malaysia Sdn Bhd	4.3	23
Total contribution	**65.5**	

Whilst we purchase solutions from the above suppliers in bulk to attain competitive pricing, we are not materially dependent on any one of our major suppliers as we are able to source similar solutions from other suppliers.

4.10 Seasonality

We do not experience any seasonality in our business as the demand for IT infrastructure technology solutions and enterprise software solutions is not subject to major seasonal fluctuations.

4.11 Intellectual Property

We believe that our brands are one of the key elements of the success of our business operations, and we depend on the increased recognition thereof for branding and marketing of our solutions and services to our customers. To protect our intellectual property rights, as at the LPD, we have registered certain trademarks with the Intellectual Property Corporation of Malaysia ("**MyIPO**") as follows:

No.	Trademark	Country	Issuing Authority / Trade Mark No.	Registration Date / Expiry Date*	Class
1.	SLinfo™ Business Intelligence Enterprise Solution	Malaysia	MyIPO / 2012057978	11 October 2012 / 11 October 2022	9[(a)]
2.	SLinfo™ Business Intelligence Enterprise Solution	Malaysia	MyIPO / 2012057977	11 October 2012 / 11 October 2022	42[(b)]

Notes:

* *Validity is for a period of 10 years and may be renewed at the expiration of the period and upon the expiration of each succeeding 10 years period.*

(a) *Computer software using for accessing a global computer network; computer software used for document management; computer software used for data base management; computer software used for locating, retrieving and receiving text, electronic documents, graphics and audio visual information on enterprise-wide internal computer networks and local and wide-area global computer networks; computer software used for software development and web authoring; computer programs; operating system software and application software for resource allocation scheduling, input/output control, data management, communication management, network management, transcribers and combinations of data processing machines and data processing programs; computer software for controlling the operation and execution of programs and networks for server systems and workstations; computer software for analysing data, including data collection, data analysis and report generation; user manuals and publication, in electronic format, sold as set with computer software; documentation and instruction manual recorded on machine readable media and relating to computers or computer programs; all included in class 9.*

(b) *Computer consultation, design, testing, research and advisory services in the field of computers, computer software; installation, implementation, management, integration, deployment, updating, maintenance and repair of computer software; computer software design and development services; computer consultation services for computer software; computer programming services; support and consultation services for developing computer systems, databases and applications; information relating to computer software provided online form a global network or the internet; design, development, testing, research and advisory relating to computer software; online computer services; computer timesharing services; computer systems analysis; dissemination and rental of computer software; testing, analysis and evaluation of the goods and services; technical support services, namely, troubleshooting of problems relating to computer software; providing technical support and troubleshooting information via the internet, voice telecommunications networks and on-site for fixing problems relating to computer software; computer consultation, namely, services for optimizing the performance and functionality of computer software; computer database development services; all included in class 42.*

Save as disclosed above, we do not use or own any other registered patents, trademarks or intellectual property which are material to our business. Our business and profitability are also not materially dependent on any other patent or licence or any other intellectual property rights.

4. OVERVIEW OF OUR BUSINESS *(cont'd)*

4.12 Major Approvals, Licenses and Permits

Save as disclosed below, as at the LPD, there are no other major approvals, licenses and permits necessary for our business operations.

Company	Issuing Authority	Effective Date / Expiry Date	Type of Licence / Permit / Approval/	Salient Conditions	Status of Compliance
SL Solutions	Government of Malaysia through Malaysia Digital Economy Corporation ("**MDEC**")	2 September 2010 / Indefinite until MSC Malaysia status is revoked	MSC Malaysia status	(i) Complete business registration of the proposed entity as a locally incorporated company under the Companies Act, 1965 within one month from the date of MDEC's letter, commence operations of the proposed entity within 6 months from the date of MDEC's letter, and undertake such activities specified in the MSC Malaysia Status Company's business plan ("**Business Plan**") as approved by MDEC ("**MSC Malaysia Qualifying Activities**") within 6 months from the date of MDEC's letter or by such date(s) as may be specified in the Business Plan (which date(s) may be extended or modified with the written consent of MDEC) and thereafter continue with such business and activities unless otherwise approved by MDEC. Any changes proposed to the MSC Malaysia Qualifying Activities must receive the prior written consent of MDEC;	Complied
				(ii) Locate the implementation and operation of the MSC Malaysia Qualifying Activities in a designated premise in MSC Malaysia Cybercentre with minimum office space of 1,500 sq. ft, within 6 months from the date of MDEC's letter.	Complied
				(iii) Ensure that at all times at least 15% of the total number of employees (excluding support staff) of the MSC Malaysia Status Company shall be "knowledge workers" (as defined by MDEC).	Complied
				(iv) Ensure that any products produced pursuant to the MSC Malaysia Qualifying Activities are original, and that no part or portion of such product is an infringement or violation of any intellectual property or any proprietary rights of any 3rd party, or constitutes a misappropriation of know-how belonging to any 3rd party;	Complied
				(v) Submit to MDEC a copy of the MSC Malaysia Status Company's Annual Report and audited statements in parallel with submission to the Companies Commission of Malaysia;	Complied

Company	Issuing Authority	Effective Date / Expiry Date	Type of Licence / Permit / Approval/	Salient Conditions	Status of Compliance
SL Solutions *(cont'd)*				(vi) Ensure that all information and/or documents furnished by the MSC Malaysia Status Company to MDEC or any other authority or agency do not contain any false, untrue or inaccurate statements or omit to state any facts, the omission of which would make any statements made therein in the light of the circumstances under which they are made, misleading;	Complied
				(vii) Inform and obtain the prior approval of MDEC for any proposed change in the name of the MSC Malaysia Status Company;	Complied
				(viii) Inform MDEC of any change in the equity structure or shareholding structure of the MSC Malaysia Status Company, or such other changes that may affect the direction or operation of the MSC Malaysia Status Company. MDEC must be informed of any change before steps are taken to effect such change; and	Complied
				(ix) Comply with all such statutory regulatory and/or licensing requirements as may be applicable, including but not limited to the Transfer Pricing Guidelines issued by the Inland Revenue Board of Malaysia on 2 July 2003, and such other amendments as may be applicable from time to time.	Complied
	Majlis Perbandaran Subang Jaya	11 April 2018 / 11 October 2018	Interim Business license	None	Not applicable
SL System	Majlis Bandaraya Petaling Jaya	1 January 2018 / 31 December 2018	Business and industrial trade licence	None	Not applicable
	City Council of Penang Island	26 February 2018 / 31 December 2018	Composite licence	None	Not applicable

4.13 Properties

4.13.1 Owned properties

As at the LPD, we owned the following properties for our operations:

Location	Description / Existing Use	Category of Land Use	Tenure
No. 23-1 to No. 23-8 Block D1 Jalan PJU 1/41 Dataran Prima 47301 Petaling Jaya Selangor	8-storey shop office / Head office (save for 1st and 3rd floors which are rented out to 3rd parties)	Commercial building	Freehold
B-07-08, 7th Floor Sky Park One City Jalan USJ 25/1 47650 Subang Jaya Selangor	A unit on the 7th floor of a commercial building / Branch office	Commercial building	Freehold

4.13.2 Rental property

As at the LPD, we have rented the following property for our operations:

Landlord	Location	Description / Existing Use	Monthly Rental RM	Tenure
Goh Keat Seng and Ong Phaik Hong	1-4-20 E-Gate, Lebuh Tunku Kudin 2, 11600 Penang	A unit on the 4th floor of a commercial building / Branch office	3,000	1 December 2016 – 30 November 2018

4.14 Business Strategies and Future Plans

The following strategies have been identified as a means to strengthen our position as an enterprise IT solution provider in Malaysia by leveraging on our competitive strengths:

(i) We intend to increase the adoption of our MountainTop solutions

Through close interactions and feedback from our customers, we identified an increasing demand for enterprises to digitise their documentations and business processes as well as remotely access these documentations. We have thus designed, developed and launched our MountainTop Electronic Document Management and MountainTop Mobility as solutions to meet such demand.

Further, we intend to undertake the following to increase the adoption of our MountainTop solutions:

- **Extending our sales reach**

  We plan to reach out to more customers through the expansion of our sales and technical team. We intend to recruit and train 4 additional sales and technical personnel in 2018 to focus on the sales, implementation and after-sales technical support for MountainTop and other solutions. In addition, we may also expand our sales reach through strategic collaborations or alliances with companies in complementary or related businesses.

- **Intensify marketing and promotional activities for our MountainTop solutions**

  We plan to set up a website for MountainTop solutions and invest in SEO and online video advertising to increase visibility and traffic count of this website. This will not only create awareness of these solutions, but also optimise the reach of our marketing activities to potential customers.

  Further, we also intend to cross sell our MountainTop solutions to our existing customers. These solutions complement and enhance the use of other IT solutions that we presently offer to our customers, and we plan to educate our existing customers on its benefits and advantages.

- **Formalise our R&D team**

  We plan to assign 3 technical personnel to our new R&D team in 2018. This will ensure that we have dedicated talent focusing on the development and enhancement of MountainTop and other solutions, and keeping abreast with latest market trends and demands.

(ii) We intend to grow our customer base for third-party solutions, particularly for Optimity

We have identified an increasing demand for business intelligence solutions among enterprises. Enterprises have a growing need for solutions that can provide business insights and market intelligence that assist in effective decision making in order to remain competitive. Optimity addresses this need as it assists enterprises in demand planning and supply chain management.

We intend to grow our customer base for Optimity through cross selling this solution to our existing customers and new customers as well as through strategic collaborations or alliances with companies in complementary or related businesses. Optimity complements our existing ERP solutions as it allows enterprises to collate data collected from the ERP solution into meaningful business insights. As such, our sales team will be trained to create awareness and educate potential customers on its benefits and advantages.

4. OVERVIEW OF OUR BUSINESS *(cont'd)*

(iii) We intend to expand our ERP solutions to include ERP cloud solutions and managed services

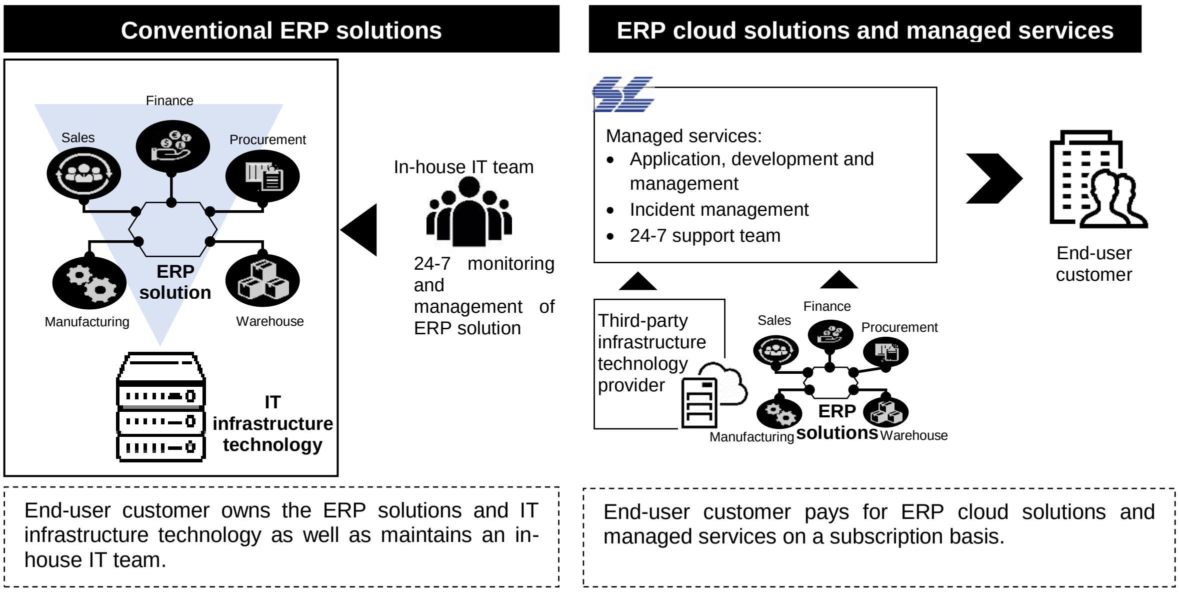
ERP cloud solutions refer to scalable ERP solutions delivered on a subscription basis. Among the benefits that our prospective customers can derive from this service are as follows:

- **Productivity optimisation** – As ERP solutions are outsourced to us, our customers will be able to focus on operating their core business activities.

- **Access to expertise and advanced technology** – Our customers will be able to leverage on our expertise in ERP solutions.

- **Subscription model –** Rather than investing heavily in IT infrastructure technology such as servers or licensing software, our customers will be able to use the resources they need on an "as-needed" basis. We intend to charge based on usage capacity, with varied plans according to the different types of services and capacity required by our customers.

- **Flexibility and scalability**– ERP managed services are particularly well-suited to businesses which are growing and have dynamic computing needs, and as such may require the flexibility to scale their backup and storage capacities as needed, and in line with business growth.



ERP cloud solutions will be packaged with ERP managed services, which comprise the day-to-day management of ERP solutions and remote monitoring services.

We intend to deploy ERP cloud solutions to enterprises in 2 stages over the next 3 years:

- **Stage 1** - Deployment of ERP managed services, which will include the abovementioned services

- **Stage 2** – Deployment of the full ERP cloud solution package, inclusive of ERP managed services. We intend to collaborate and/or invest in established IT cloud providers that will allow us to reap synergistic benefits such as providing the IT infrastructure technology solutions required to build a centralized database to support our ERP cloud solutions or extending our range of solutions to include cloud enabled value-added enterprise software solution.

Although cloud-related solutions have been gaining traction globally, ERP cloud solutions are still rather new to enterprises in Malaysia. We believe the deployment of ERP managed services will ease the introduction of our full ERP cloud solution package. We believe that there will be substantial opportunities in ERP cloud solutions among SMEs and mid-market companies due to the relatively large upfront investment costs required for conventional ERP solutions.

Our conventional ERP solution business will continue to provide us with a strong revenue base, while our ERP cloud solutions are expected to elevate our Group into the next phase of growth. Further, the recurring nature of ERP cloud solutions and managed services will allow us to generate a recurrent and stable revenue stream.

4.15 Prospects

Our Board is of the view that we will continue to enjoy favourable prospects in the long term, having built a resilient industry presence of 30 years as an enterprise IT solution provider.

The IT infrastructure technology solutions industry in Malaysia had an industry size of RM3.7 billion in 2012, and this grew to RM5.0 billion in 2016 at a CAGR of 7.8%. Providence forecasts the IT infrastructure technology solutions industry in Malaysia to grow at a healthy CAGR of 7.5% between 2017 and 2021, to reach RM7.2 billion in 2021. This is expected to be driven by the:

(i) expected growth in volume of digital data from 16.1 ZB (or 16.1 trillion GB) to 163 ZB (163 trillion GB) from increasing integration of enterprise software solutions (such as ERP solutions) in business operations. This signifies a continuous need for enterprises to procure IT infrastructure technology solutions with larger capacities;

(ii) evolution of technologies to include big data, IoT and artificial intelligence which will create a need for enterprises to invest in upgrading their solutions to cater for higher processing capabilities; and

(iii) continuous growth in the number of new enterprises in Malaysia which indicates an increase in demand from new enterprises.

Meanwhile, ERP solutions are increasingly used in enterprises as it allows enterprises to automate its business operation through the integration of crucial operational processes. This provides enterprises with a multitude of benefits including reducing administrative costs, improving data integrity, streamlining business processes as well as allowing for more informed business decisions.

The receptiveness of enterprises in Malaysia towards ERP solutions can be seen by its healthy CAGR of 6.6% between 2012 and 2016. The ERP solution industry in Malaysia grew from RM395.9 million in 2012 to RM511.6 million in 2016. Moving forward, Providence forecasts the ERP solution industry in Malaysia to grow by a further CAGR of 6.6% between 2017 and 2021 to reach RM705.6 million in 2021.

This growth is expected to be attributable to the following:

(i) growing importance of enterprise software solutions such as ERP solutions which will create continuous growing demand for ERP solutions;

(ii) growing need for enterprises to remotely access and manage data in line with the increasing proliferation of mobile devices (such as tablets and smartphones). The ERP solution stands to benefit from the emergence of enterprise software solutions that allow for remote access of data gathered from ERP solutions. Applications for file sharing and synchronisation in Malaysia which allow for remote data access have been gaining traction, growing at a robust CAGR of 72.2% from RM1.0 million in 2012 to RM8.8 million in 2016 (in terms of revenues from industry players offering these solutions);

(iii) emergence of ERP cloud solutions which would increase market demand from SMEs and mid-market companies as it can substantially lower the initial investment in procuring and maintaining an ERP solution. In general, cloud computing is a rapidly growing market in Malaysia, and sales of cloud based IT solutions in Malaysia are expected to reach USD900 million by 2020;

(iv) growing number of new enterprises in Malaysia which indicates a demand potential from new enterprises; and

(v) favourable Government initiatives that promote the adoption of IT in all economic sectors will support the growth of ERP solutions in Malaysia.

(Source: IMR Report by Providence)

By leveraging on our strengths as highlighted in Section 4.4 of this Information Memorandum, our Group believes that we will be able to capture future growth opportunities presented by the growing industry we operate in. Against this backdrop, we seek a listing on the LEAP Market of Bursa Securities to facilitate our future growth and strengthen our position as an enterprise IT solution provider. With our technical expertise and market experience, we are well-positioned to undertake our strategies identified in Section 4.14 of this Information Memorandum. This will place us in a position to be able to ensure our long-term growth and sustainability in the industry.

(Source: Our Management)

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PROVIDENCE STRATEGIC PARTNERS SDN BHD
(1238910-A)
No. 18A, Jalan SS21/58, Damansara Utama,
47400 Petaling Jaya, Selangor, Malaysia.
T: +603 7931 2018

The Board of Directors

SL INFORMATION BERHAD
23-6 Block D1, Jalan PJU 1/41
Dataran Prima, 47301 Petaling Jaya
Selangor, Malaysia.

Dear Sirs,

Industry Overview on the Information Technology ("IT") Infrastructure Technology Solution Industry in Malaysia and Enterprise Resource Planning ("ERP") Solution Industry in Malaysia for the Listing of SL Information Berhad on the LEAP Market of Bursa Malaysia Securities Berhad ("Bursa Securities")

This Industry Overview Report on the IT Infrastructure Technology Solution Industry in Malaysia and ERP Solution Industry in Malaysia was prepared by PROVIDENCE STRATEGIC PARTNERS SDN BHD ("PROVIDENCE") for inclusion in the Information Memorandum of SL Information Berhad.

For and on behalf of PROVIDENCE:

MELISSA LIM
EXECUTIVE DIRECTOR

1 RESEARCH OBJECTIVE AND SCOPE

This Industry Overview report has been prepared in conjunction with the listing of SL on the LEAP Market of Bursa Malaysia Securities Berhad. The objective of this Industry Overview report is to provide an independent view of the industry and market(s) in which SL operates and offer a clear understanding of industry and market dynamics.

SL is an enterprise IT solution provider, specialising in IT infrastructure technology solutions and enterprise software solutions which comprise ERP solutions and value-added enterprise software solutions.

The scope of work for this Industry Overview report will thus address the following 2 industries in which SL operates:

(i) IT infrastructure technology solution industry in Malaysia; and

(ii) ERP solution industry in Malaysia.

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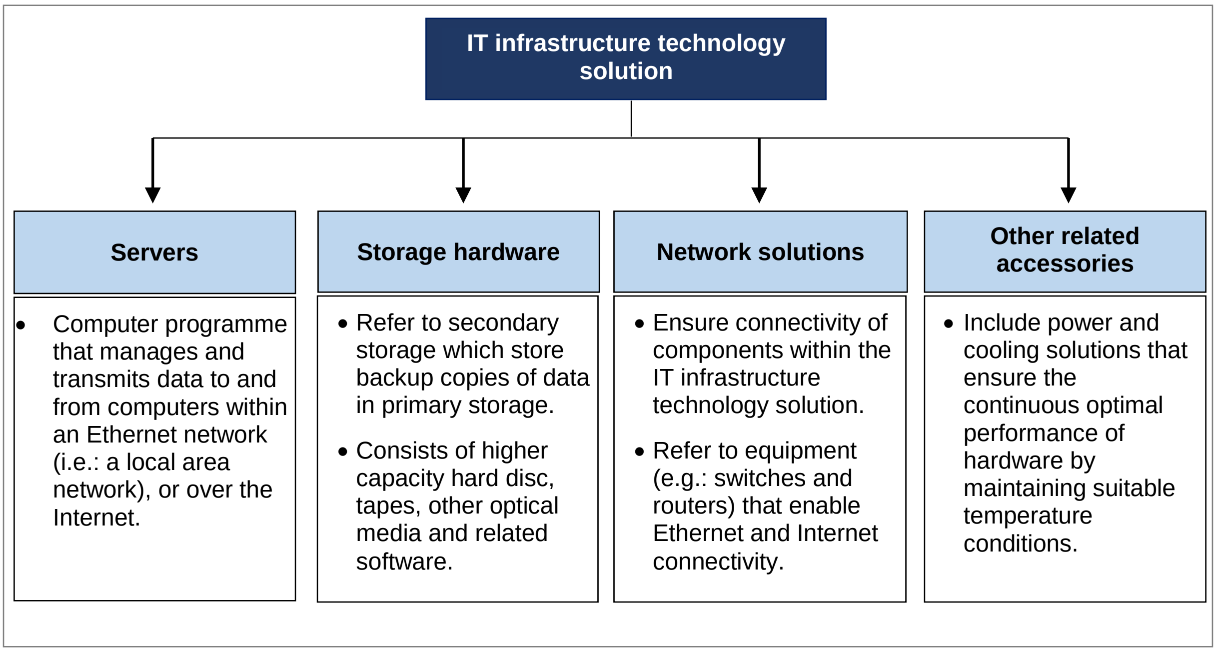
2 INFORMATION TECHNOLOGY ("IT") INFRASTRUCTURE TECHNOLOGY INDUSTRY IN MALAYSIA

INTRODUCTION

IT infrastructure technology solution refers to a collection of hardware, software and network solutions as well as other related accessories. It is typically implemented in enterprises to enable receipt, storage, management and transmission of digital data.

The components of a typical IT infrastructure technology solution are illustrated below:

IT infrastructure technology solution and its components



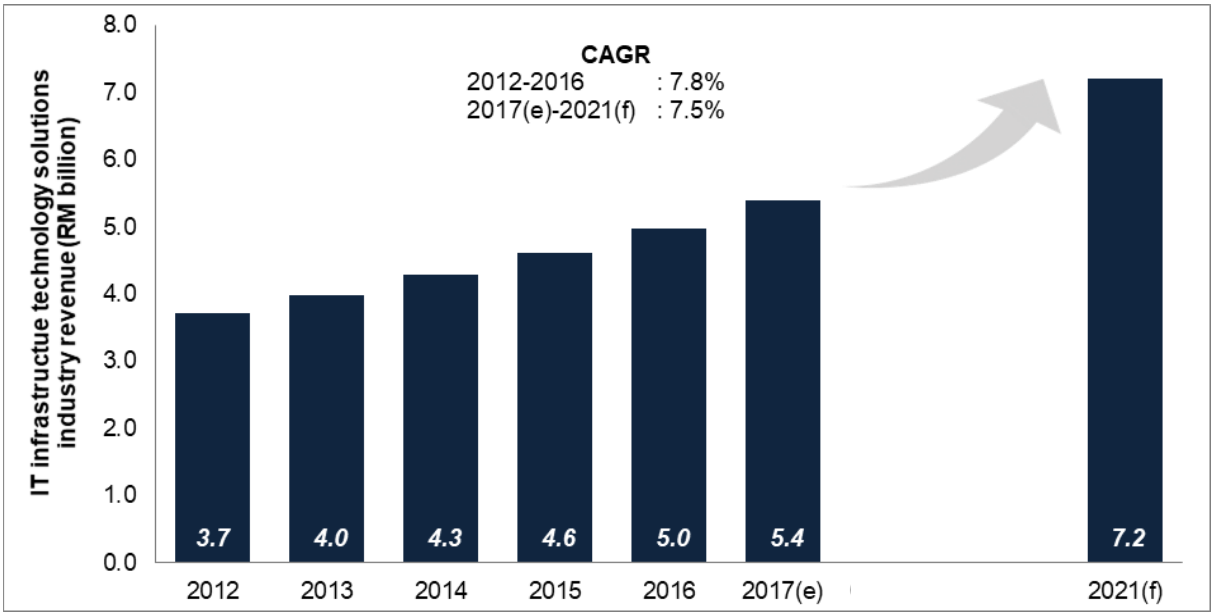
INDUSTRY PERFORMANCE, SIZE AND GROWTH

The IT infrastructure technology solution industry in Malaysia is the sum of revenues of major industry players comprising local subsidiaries or franchisees of global solution manufacturers/developers such as Dell Inc., IBM Corporation and Oracle Corporation.

The IT infrastructure technology solution industry in Malaysia grew from RM3.7 billion in 2012 to RM5.0 billion in 2016 at a CAGR of 7.8%. Moving forward, the IT infrastructure technology solution industry in Malaysia is forecast to grow by a further CAGR of 7.5%, from an estimated RM5.4 billion in 2017 to RM7.2 billion in 2021.

PROVIDENCE STRATEGIC PARTNERS

IT infrastructure technology solution industry size in Malaysia



Note: Historical statistical data was converted from USD to RM based on the average annual exchange rate for 2016, at USD1 = RM4.1457

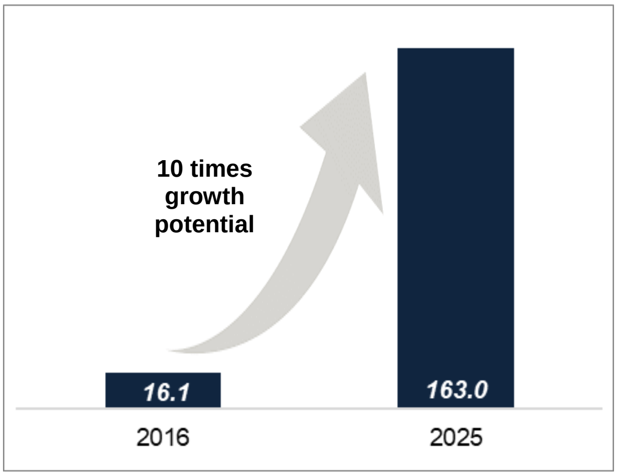
KEY DEMAND DRIVERS

Increasing volume of digital data signifies continuous need for enterprises to procure IT infrastructure technology solutions with larger capacities

Globally, the amount of digital data generated in 2016 was 16.1 ZB (or 16.1 trillion GB). The digital universe is projected to further grow 10 times to reach an information size of approximately 163 ZB (or 163 trillion GB) by 2025.

Growth in digital data from enterprises is expected to be driven by the increasing integration of enterprise software solutions (such as ERP solutions) in critical business operations. With the use of these enterprise software solutions, data files are thus being recorded digitally. This illustrates a continuous need for enterprises to procure IT infrastructure technology solutions with larger capacities in order to store backup copies of the increasing volume of digital data.

Global volume of digital information



Note: Data is in ZB

This continuous need for enterprises to increase their storage capacities is further supported by decreasing storage costs. As an illustration, costs of hard disc drives have decreased from approximately USD35-50 per GB in the 1990s to USD1 per GB at present.

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Evolution of technologies creates a need for enterprises to upgrade their IT infrastructure technology solutions to cater for higher processing capabilities

The evolution of the IT sector which has given rise to technological concepts such as "Big data", "artificial intelligence" and "IoT" is leading a shift in the way businesses are operated today. Big data refers to the technology of managing and processing large data sets within a short time frame. Meanwhile, artificial intelligence describes technology that can turn data analysis into meaningful solutions. The IoT refers to a network of devices and sensors that are able to communicate and transfer data between them and other parties in a seamless manner. This concept has been adopted as a global standard initiative by the International Telecommunication Union, a United Nations specialised agency for information and communication technologies.

Under the 11th Malaysia Plan, the Government of Malaysia (herein referred to as "the Government") has announced several initiatives to grow these technologies within Malaysia. The National IoT Strategic Framework estimates that the market for IoT in Malaysia will reach RM9.8 billion in 2020. Hence, the Government is enhancing a regulatory framework for areas such as implementation, research and development, standard development and infrastructure upgrades. Meanwhile, the Government intends to accelerate the adoption of big data through the National Big Data Analytics Framework which would spur demand for big data in all sectors, catalyse adoption of big data in the public sector and build the big data industry in Malaysia. This will be undertaken through data science programmes conducted by local and foreign universities and data science institutes, as well as upskilling talent in Malaysia in this area.

The adoption of these technologies in enterprises will lead to an increase in demand for IT infrastructure technology solutions with higher processing capabilities.

Growing number of enterprises indicates an increase in demand from new enterprises

Malaysia has seen a steady growth of newly registered enterprises (as represented by newly registered companies) at an average increase of 4.5% annually. According to latest available data from the Companies Commission of Malaysia, new enterprises in Malaysia grew from 882,846 in 2009 to 1.2 million in 2016. This steady growth trend is expected to continue in light of the nation's developing economy over the long-term.

The growing number of enterprises registered each year provides opportunities for greater demand for IT infrastructure technology solutions in Malaysia.

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PROVIDENCE STRATEGIC PARTNERS

3 ENTERPRISE RESOURCE PLANNING SOLUTION INDUSTRY IN MALAYSIA

INTRODUCTION

Enterprise software solutions are enterprise software platforms that electronically capture, store, manage and process information in real time. It integrates most of the crucial operational processes within an organisation (i.e.: finance, procurement, warehouse, manufacturing and sales divisions), allowing an enterprise to automate its business operations.

The benefits of ERP solutions are summarised below:

(i) Improves data integrity and financial control by minimising repetitive tasks;

(ii) Encourages collaboration between and within departments, streamlining business processes;

(iii) Reduces costs arising from transaction processing activities; and

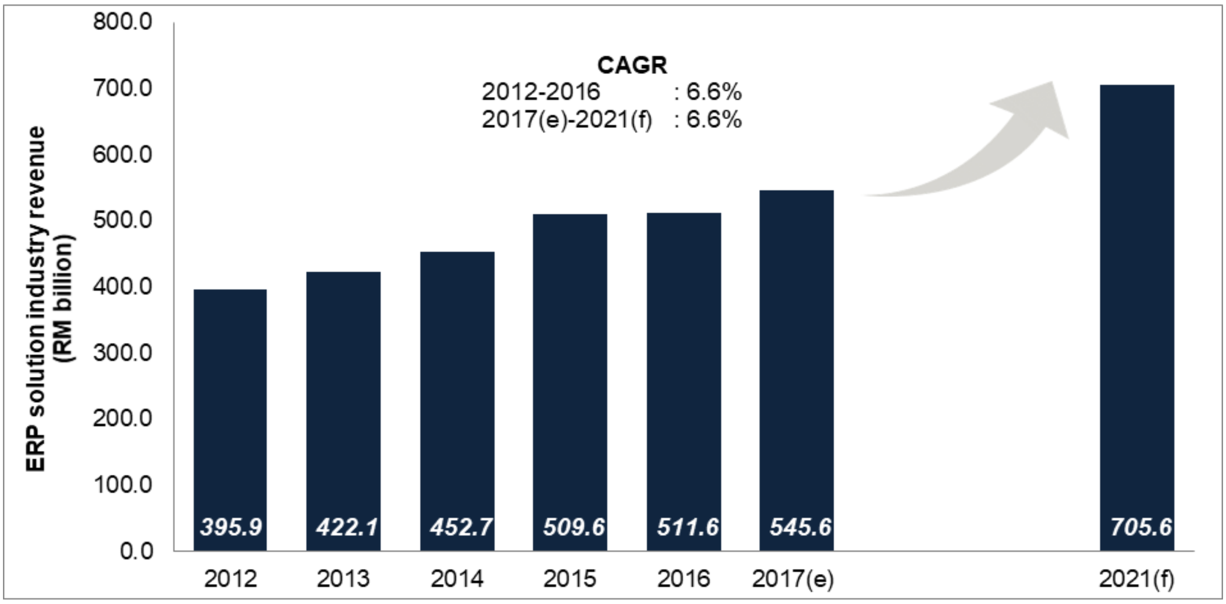
(iv) Improves business insight for better and faster decision making through a structured set of data.

INDUSTRY PERFORMANCE, SIZE AND GROWTH

The industry for ERP solutions in Malaysia is a sum of revenues of major industry players comprising local franchisees of global solution developers such as Century Software Incorporation, IBM Corporation, Microsoft Corporation, Oracle Corporation and SAP SE.

The ERP solution industry in Malaysia illustrated a healthy CAGR of 6.6% between 2012 and 2016, growing from RM395.9 million to RM511.6 million. The ERP solution in Malaysia is forecast to grow from an estimated RM545.6 million in 2017 to RM705.6 million in 2021, at a CAGR of 6.6%.

ERP solution industry size in Malaysia



Note: Historical statistical data was converted from USD to RM based on the average annual exchange rate for 2016, at USD1 = RM4.1457

PROVIDENCE STRATEGIC PARTNERS

KEY DEMAND DRIVERS

Growing importance of enterprise software solutions to enterprises creates continuous demand for ERP solutions

Over the last 2 decades, an increasing number of enterprises have begun to adopt enterprise software solutions such as ERP solutions in their business. This is fuelled by the cost and productivity efficiency benefits that these solutions can offer to enterprises. Resistance to the integration of their operations with these enterprise software solutions could impact enterprises' profit margins and productivity rates relative to industry standards. Thus, in order to remain competitive, enterprises today are largely dependent on enterprise software solutions to manage critical business activities such as production, inventory/stock management and procurement, finance as well as human resources, on a daily basis.

Moving forward, it is expected that the number of private enterprises and public agencies that have adopted enterprise software solutions will only increase further, benefiting the ERP solution industry in Malaysia.

Growing need for enterprises to remotely access and manage data benefits the ERP solution industry

The proliferation of mobile computing devices such as smartphones and tablets has changed the way businesses are operated. Business activities are no longer confined within office premises, as employees can access, send and monitor emails and their co-workers using these mobile devices. As such, there is a growing need for enterprise software solutions that allow for telecommuting (where employees do not need to convene at a common office). As an illustration, applications for file sharing and synchronisation which allow for remote data access have been gaining traction in Malaysia, growing at a robust CAGR of 72.2% from RM1.0 million in 2012 to RM8.8 million in 2016 (in terms of revenues of industry players offering such solutions).

The ERP solution industry stands to benefit from the emergence of enterprise software solutions that allow for remote access of data gathered from ERP solutions. The growing importance of ERP solutions for commercial activities will inevitably lead to enterprises upgrading their existing ERP solutions to cater for these features.

Emergence of ERP cloud solutions increases market demand from small-to-medium enterprises ("SMEs") and mid-market companies

ERP cloud solutions refer to scalable ERP solutions delivered on a subscription basis. Through ERP cloud solutions, enterprises can enjoy benefits such as lower initial investment, access to expertise and advanced technology, as well as flexibility to scale backup and storage capacities.

The abovementioned benefits are attractive to SMEs and mid-market companies as it increases the affordability of ERP solutions. SMEs and mid-market companies can substantially lower their initial investment in procuring and maintaining an ERP solution. Further, computing resources such as software, platforms, infrastructure as well as data and processing capacity can be obtained whenever required from solution providers.

In general, cloud computing is a rapidly growing market in Malaysia and has a wide reach among SMEs and mid-market companies. Cloud based IT solutions in Malaysia are expected to reach USD900 million by 2020.

As such, the emergence of ERP cloud solutions is expected to give rise to greater demand for ERP solutions, and particularly from SMEs and mid-market companies.

Growing number of enterprises indicates a demand potential from new enterprises

Malaysia has seen a steady growth of newly registered enterprises (as represented by newly registered companies) at an average increase of 4.5% each year. According to latest available data from Companies Commission of Malaysia, new enterprises in Malaysia grew from 882,846 in 2009 to 1.2 million in 2016. This steady growth trend is expected to continue in light of the nation's developing economy over the long-term.

The growing number of enterprises registered each year provides opportunities for greater demand for ERP solutions in Malaysia.

Favourable Government initiatives promoting the adoption of IT supports the growth of ERP solutions in Malaysia

The Government has embraced the IT sector as a key driver for socio-economic growth. As such, the Government has identified several plans and programmes to further drive the sector and pave the way for the adoption and integration of IT solutions by enterprises across the nation.

In the 11th Malaysia Plan, the Government targets to increase the contribution of the IT sector to 18.2% of the nation's gross domestic product ("**GDP**") by 2020. The IT sector is expected to gain greater momentum, driven by the convergence of industries and commercial activities due to digitalisation. Specifically, the Government intends to:

(i) develop the IT sector in technology focus areas such as big data analytics, IoT and cloud computing;

(ii) increase the adoption of IT solutions amongst SMEs;

(iii) build a support eco-system to allow for the development of IT solutions and internationalism; and

(iv) develop high quality IT talent.

These favourable Government initiatives are expected to promote the adoption of IT in all economic sectors, thus supporting the growth of ERP solutions in Malaysia.

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6. RISK FACTORS

YOU SHOULD CAREFULLY CONSIDER, ALONG WITH OTHER MATTERS IN THIS INFORMATION MEMORANDUM, THE RISKS AND INVESTMENT CONSIDERATIONS BELOW.

6.1 Risks Relating to Our Business and Industry Which We Operate In

6.1.1 We rely on our key management and technical personnel

The IT industry is a growing and fast-changing sector and the management and operation of such businesses requires the employment and retention of skilled personnel. We recognise that our Group's continuing success depends, to a significant extent, on the capabilities and continuing efforts of our key management personnel as well as our ability to retain and attract skilled technical personnel.

We have currently put in place a management succession plan, which includes taking a proactive approach towards addressing talent management in order to ensure our Group is managed by personnel with the requisite knowledge, experience and capabilities. We have also put in place a competitive remuneration package to reward our performing personnel and to retain their services in our Group.

We also believe that by enhancing our corporate profile as a listed issuer, we will be able to attract more qualified personnel to continuously play an active role in the growth and success of our Group. However, no assurance can be given that these measures would result in the successful recruitment, retention and/or motivation of our personnel.

6.1.2 We may not be able to comply with our customers' specifications

The solutions offered by us must conform to and perform according to our customers' specifications and other contractual obligations. In the event our solutions and services do not conform to the pre-agreed specifications, we will have to remedy or rectify the issues at our own cost, resulting in reduced profitability and tarnished reputation in the market place.

We adopt a quality management system to ensure that our work is constantly reviewed, updated and improved upon. As at the LPD, we have not encountered any major issues. Further, we have good relationships with our customers based on our track record in meeting our customers' requirements and needs.

We believe that by working closely with our customers and coupled with our experience and expertise, we would be able to ensure that all work specifications and other contractual obligations are met and any issues can be reduced to a minimal level.

6.1.3 We may not continue to be profitable in the future or achieve increasing or consistent levels of profitability

We may not be able to be maintain or increase our profitability as we may be subject to the following risks:

(i) We may not be able to secure or maintain contracts

Our revenues are derived from both project based sales and retainer based contracts. Project based sales comprise a large proportion of our business. As such, our financial performance is dependent on our ability to secure contracts on a timely basis.

Whilst we have been securing new projects and maintaining our retainer based contracts in the past, there can be no certainty that our order book can be sustained in the future. Our inability to maintain secure and/or maintain contracts would have a material adverse impact on our future financial performance and prospects.

(ii) We may not be able to continue practicing sound financial management

We have, over the years, practiced sound financial management *via* efficient credit control measures, prudent cash flow management and careful consideration of operating expenditure and proposed capital expenditure.

Whilst we would exercise our best endeavor to maintain and increase our record of profitability, there is no assurance that our Group's performance will not be adversely impacted by changing market conditions and, in particular, the resources and expenses required in the development of our business expansion.

6.1.4 We are exposed to foreign exchange transaction risks

Some of our purchases are denominated in USD and SGD. As such, any future significant depreciation of the RM against the USD and the SGD may have a negative impact on our Group's reported operating profit.

Our management constantly monitors our Group's foreign currency exposure and reviews our Group's need to hedge. Nonetheless, should the exposure become substantial, we will consider hedging our position.

6.1.5 Rapid changes in technology and customer preferences may affect our business

We operate in a dynamic market where our solutions are prone to evolving industry standards and frequent new product introductions and enhancements. Our future growth and success would significantly depend on continuing market acceptance of our portfolio of solutions and our ability to develop and/or procure new solutions to meet our customers' needs.

In the event our solutions become outdated or obsolete, these solutions will be upgraded or new software solutions with enhanced functionalities will be developed and/or procured to cater for market demand. The development of new or enhanced software solutions is a complex and uncertain process. Further, we may also experience design, marketing and other operational difficulties that could delay or prevent the development and/or procurement of new software solutions.

We seek to limit these risks by constantly keeping abreast of the latest trends, requirements and technology through close interactions with our customers. Such market insights would be taken into consideration when we develop or upgrade our software solutions or procure new software solutions.

However, there can be no assurance that we will be able to successfully anticipate technological changes and to develop and/or procure new software solutions in a timely manner and/or cost effectively. Such circumstances may in turn adversely affect our business and financial performance. Further, there can be no assurance that our R&D activities will be successful. Unsuccessful R&D activities may have a negative impact on our financial performance as the R&D expenses incurred may be substantial *vis-à-vis* our revenue for the relevant financial period.

6.1.6 We may not be able to continue competing successfully against present and future competitors

Notwithstanding our competitive strengths, we continue to face competition from existing and new competitors who may be capable of offering similar solutions.

Nevertheless, we will invest in R&D activities to enhance our competitiveness. Our past and on-going R&D activities have provided us with the necessary knowledge base and technological know-how for the design and development of new or enhanced solutions.

Whilst we strive to remain competitive, there can be no assurance that any changes in the competitive environment would not have any material and adverse impact on our business and financial performance.

6.1.7 Any termination of contract with our enterprise software solution vendors may affect our business

Our enterprise software solution vendors own the trademarks and licenses of their respective software solutions. As such, a termination of contract with any of these enterprise software solution vendors would result in us ceasing to offer the particular solution to our customers. As our enterprise software solutions business contributes significantly to our Group's revenue (i.e. 60.5%, 44.9%, and 51.6% in FYE 31 December 2015, FYE 31 December 2016 and FYE 31 December 2017 respectively), a termination of contract with any enterprise software solution vendor could disrupt our business operations and negatively impact our Group's financial performance.

Nevertheless, given that we have longstanding relationships with most of these vendors, we do not anticipate any changes to these relationships. In particular, we have been licensed channel partners for Pronto Software for 23 years and Infor M3 for 18 years.

Notwithstanding the above, we will also be able to mitigate this risk through our direct engagement with end-user customers, as the customers we serve are the end-users of the enterprise software solutions. We have developed long term relationships with most, if not all, of these customers, ensuring the long-term sustainability of these relationships and our market presence. Thus, we believe we have an interdependent relationship with our vendors, where although we purchase their solutions from them, they rely on us to market their products to our customers.

6.2 Risks Relating to an Investment in Our Shares

6.2.1 We may not be able to proceed with or experience a delay for our Listing

Bursa Securities may not grant an approval-in-principle for our Listing or if granted, we may not be able to proceed with or experience a delay in our Listing due to, amongst others, the following reasons:

(i) the identified Sophisticated Investors fail to subscribe for the portions of the Issue Shares allotted to them; or

(ii) the occurrence of any force majeure events, which are beyond our control, before our Listing.

Nevertheless, we will endeavour to ensure compliance with the Listing Requirements for our successful listing on the LEAP Market of Bursa Securities.

6.2.2 There may not be an active or liquid market for our Shares

The listing of and quotation for our Shares on the LEAP Market of Bursa Securities does not guarantee that an active market for the trading of our Shares will develop.

There can also be no assurance that the Issue Price, which has been determined after taking into consideration the factors as set out in Section 2.1.2 of this Information Memorandum, will correspond to the price at which our Shares will be traded on the LEAP Market of Bursa Securities upon or subsequent to our Listing.

6.2.3 Our Promoters can exercise significant control over us

Upon Listing, our Promoters will collectively hold approximately 73.7% of our enlarged issued share capital. As a result, these shareholders have voting control over our Company and are expected to have significant influence on the outcome of certain matters, unless they are required to abstain from voting by law and/or by the relevant authorities.

Nevertheless, our Company has appointed Tan Sri Dr. Syed Jalaludin as our Independent Non-Executive Chairman. He will play an active role in our Board's deliberations to ensure any transactions involving related parties are entered into on an arms-length basis, so as to facilitate good corporate governance whilst promoting greater corporate transparency.

6.2.4 We may not be able to pay dividends

Our Company, being an investment holding company, derives income mainly from dividends received from our subsidiaries. Hence, our ability to pay future dividends and our ability to sustain our dividend policy in the future are largely dependent on the performance of our subsidiaries. In determining the size of any dividend recommendation, we will also take into consideration a number of factors, including but not limited to our financial performance, cash flow requirements, debt servicing and financing commitments, future expansion plans, loan covenants and compliance with regulatory requirements.

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7. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

7.1 Promoters and/or Substantial Shareholders

7.1.1 Shareholdings

The shareholdings of our Promoters and/or substantial shareholders in our Company before and after our Listing are as follows:

	Before Listing				After Listing			
	Direct		Indirect		Direct		Indirect	
Name	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%
Promoter and substantial shareholder								
Soon Seng Teck	91,000	78.1	-	-	91,000	71.7	-	-
Promoter								
Yee Mee Yin	2,500	2.2	-	-	2,500	2.0	-	-

7.1.2 Profile

Soon Seng Teck, Singaporean, aged 67
Promoter, Substantial Shareholder and Managing Director

Soon Seng Teck was appointed to our Board as a Director in 2012 and was subsequently redesignated as our Managing Director in 2017. As our Managing Director, Soon Seng Teck is responsible for overseeing our Group's strategic business planning and direction. He graduated with a Bachelor of Science in Electrical Engineering from University of Denver in 1974.

Soon Seng Teck started his career with the Republic of Singapore Navy as an Engineer in 1974. In 1977, he went to the United States of America ("**USA**") and joined as a Field Engineer in Wilson-Walton International, Inc, a company specialising in cathodic protection solutions.

In 1978, he joined Stangenes Industries Inc, an electronics company based in the USA as a Research, Design and Quality Control Engineer. In this role, he was responsible for research, design and quality control of electronic equipment for military use. In 1982, he returned to Singapore and joined Sim Lim Co (M) Sdn Bhd, a building materials distributor in Malaysia, as its Managing Director.

He founded SL System in 1984 and has been instrumental in the growth of our Group.

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Yee Mee Yin, Malaysian, aged 57
Promoter, Head of Administration and Human Resources

Yee Mee Yin is our Head of Administration and Human Resources and is responsible for overseeing our Group's administrative and human resource related functions.

Yee Mee Yin obtained a certificate from Stamford Group of Colleges' Private Secretaryship Course in 1980 and a Certificate in Administrative Management from The Institute of Administrative Management in 1984. She started her career with United Engineers (M) Berhad, an engineering-based infrastructure and services group, in 1980 as a Stenographer. In 1982, she joined Sim Lim Co (M) Sdn Bhd, a building materials distributor in Malaysia, as a Secretary where she was responsible for secretarial and payroll matters.

In 1991, she joined our Group and assumed her current position.

7.2 Directors

7.2.1 Shareholdings

The shareholdings of our Directors before and after our Listing are as follows:

		Before Listing				After Listing			
		Direct		Indirect		Direct		Indirect	
Director	**Designation**	**No. of Shares '000**	**%**	**No. of Shares '000**	**%**	**No. of Shares '000**	**%**	**No. of Shares '000**	**%**
Tan Sri Dr. Syed Jaluludin	Independent Non-Executive Chairman	-	-	-	-	-	-	-	-
Soon Seng Teck	Managing Director	91,000	78.1	-	-	91,000	71.7	-	-
Sim Boon Ker	Executive Director	-	-	-	-	-	-	-	-

7.2.2 Profile

The profile of Soon Seng Teck, who is also our Promoter, has been disclosed in Section 7.1.2 of this Information Memorandum.

Tan Sri Dr. Syed Jalaludin, Malaysian, aged 74
Independent Non-Executive Chairman

Tan Sri Dr. Syed Jalaludin is our Independent Non-Executive Chairman and was appointed to our Board in 2017. He graduated with a Bachelor of Veterinary Science from University of Punjab in 1967, followed by a Master of Philosophy and a Doctor of Philosophy (PhD) from University of London, United Kingdom in 1967 and 1977 respectively. He was also conferred 5 honorary degrees, namely Doctor of Science from University of Hull in 1999, Doctor of Science from Soka University in 2000, Doctor of Agriculture Technology from Thaksin University in 2005, Doctor of Science from Open University Malaysia in 2007 and Doctor of Engineering from Universiti Malaysia Perlis in 2008.

7. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(cont'd)*

Tan Sri Dr. Syed Jalaludin began his career as an assistant lecturer in the Faculty of Agriculture in University of Malaya in 1969. He later joined Universiti Putra Malaysia ("**UPM**") as a lecturer in the Faculty of Veterinary and Animal Science in 1975 before retiring as Vice Chancellor of UPM in 2001. During his academic career, he was bestowed with the National Science Laureate in 1993 and National Academic Laureate in 2008. He is also a founder and senior fellow (which carries the title of academician) of the Academy of Sciences Malaysia as well as Professor Emeritus of Universiti Malaysia Terengganu and UPM. He is still active in the academic sector as Chairman of the Board of Directors of UPM, Universiti Tun Abdul Razak and Asia eUniversity. He is also the Chancellor of Taylor's University and is a member of the Executive Committee and Governing Board of the International Centre for Education in Islamic Finance ("**INCEIF**"). In addition, he is also a Director in several public listed companies in Malaysia.

In the corporate sector, Tan Sri Dr. Syed Jalaludin is the founding Chairman of the Halal Industry Development Corporation, a corporation wholly-owned by the Ministry of Finance Malaysia.

Sim Boon Ker, Malaysian, aged 63
Executive Director, Head of Corporate Finance

Sim Boon Ker is our Executive Director and Head of Corporate Finance and was appointed to our Board in 2017. He is responsible for all corporate finance, legal and secretarial related matters of our Group. He graduated with a Bachelor of Science in Managerial and Administrative studies from University of Aston in 1979.

Sim Boon Ker started his career in 1979 as an Audit Clerk in Nyman Libson, Paul & Co, an accounting firm based in the United Kingdom. In 1984, he joined Peat Marwick, Mitchell & Co, an accounting firm based in Mauritius, as an Audit Officer. In 1985, he joined Sinotex (Mauritius) Limited, an apparel manufacturer based in Hong Kong as its Financial Controller. During his tenure, he was responsible for finance related matters as well as ensuring legal and organisational compliance of the company.

He returned to Malaysia in 1989 and joined Trend Shops Sdn Bhd, a fashion retailer with business interests in Malaysia and Singapore, as its General Manager. During his tenure there, he was responsible for planning, directing and managing the business operations of the company.

In 1991, he joined Mona Industries Sdn Bhd, an apparel manufacturer, as its Senior Operations Manager where he was responsible for managing all operational as well as expansion activities of the company. In 1993, he joined Cassardi Corporation Sdn Bhd, an apparel manufacturer, as its General Manager. During that time, he was responsible for the business direction and planning of the company.

Sim Boon Ker joined our Group as Head of Corporate Finance in 1996.

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7. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(cont'd)*

7.2.3 Directors' remuneration and benefits

The aggregate remuneration and material benefits-in-kind *(including any contingent or deferred compensation accrued for the year)* paid and proposed to be paid to our Directors for services rendered in all capacities to our Group for the FYE 31 December 2017 and FYE 31 December 2018 are as follows:

	FYE 31 Dec 2017	**FYE 31 Dec 2018**
Remuneration Band	**No. of Directors**	**No. of Directors**
Non-Executive Director		
Less than RM50,000	-	1
Executive Director		
Less than RM250,000	1	-
RM450,000 to RM500,000	-	1
RM1,050,000 to RM1,100,000	1	-
RM1,150,001 to RM1,200,000	-	1

Our Directors' remuneration includes salaries, bonuses, fees and allowances as well as other benefits, whereby pursuant to our Constitution, the fees and benefits must be approved by our shareholders in a general meeting.

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7. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(cont'd)*

7.3 Key Management Personnel

7.3.1 Shareholdings

Our key management personnel and their respective shareholdings in our Company before and after our Listing are as follows:

		Before Listing				After Listing			
		Direct		Indirect		Direct		Indirect	
Key Management	Designation	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%
Soon Seng Teck	Managing Director	91,000	78.1	-	-	91,000	71.7	-	-
Sim Boon Ker	Head of Corporate Finance	-	-	-	-	-	-	-	-
Lim Chin Kiew	Group General Manager	-	-	-	-	-	-	-	-
See Chee Fwai	Chief Financial Officer	-	-	-	-	-	-	-	-
Chan Kok Wah	General Manager, Enterprise Software Solutions	-	-	-	-	-	-	-	-
Kuan Wing Hong	Vice President, Enterprise Software Solutions	-	-	-	-	-	-	-	-
Lim Teng Giap	Head of IT Infrastructure Technology	-	-	-	-	-	-	-	-
Yee Mee Yin	Head of Administration and Human Resources	2,500	2.2	-	-	2,500	2.0	-	-

7.3.2 Profile

The profile of Soon Seng Teck, who is also our Promoter, substantial shareholder and Executive Director has been disclosed in Section 7.1.2 of this Information Memorandum.

The profile of Yee Mee Yin, who is also our Promoter, has been disclosed in Section 7.1.2 of this Information Memorandum.

The profile of Sim Boon Ker, who is also our Executive Director has been disclosed in Section 7.2.2 of this Information Memorandum.

Lim Chin Kiew, Malaysian, aged 59
Group General Manager

Lim Chin Kiew is our Group General Manager and is responsible for overseeing the overall operations of our Group. He graduated with a Bachelor of Applied Science from the Royal Melbourne Institute of Technology in 1983.

He began his career in 1984 as an Analyst Programmer in Sim Lim Co (M) Sdn Bhd, a building materials distributor in Malaysia. In this role, he was responsible for the maintenance and enhancement of their in-house ERP solutions.

His career with our Group started in 1985 when he joined SL System as our Project Manager. During that time, he was responsible for spearheading the design and implementation of IT infrastructure technology solutions. He was later promoted to Sales Manager in 1987, where he was responsible for the business development of IT infrastructure technology solutions, particularly IBM servers and system software.

In 1988, he joined Dacca Software Limited as a Senior Consultant where he continued to build his technical expertise in ERP solutions.

He subsequently founded Sand Cove Pty Ltd, an Australian incorporated company which was involved in the provision of ERP support services and marketing of refurbished IT hardware components, in 1989.

He rejoined SL System in 1991 as our Marketing Manager and assumed his present position as our Group General Manager in 2011 when the company acquired SL Solutions.

Chan Kok Wah, Malaysian, aged 53
General Manager, Enterprise Software Solutions

Chan Kok Wah is our General Manager, Enterprise Software Solutions and is responsible for overseeing the business development and operations of our Group's enterprise software solutions business for the SMEs and mid-market company segment. He graduated with a Bachelor of Economics from Latrobe University in 1989.

Chan Kok Wah started his career in 1989 with Lim, Tay & Associates, an accounting firm, as an Audit Assistant. In 1990, he joined Aspic BDS (Malaysia) Sdn Bhd as a Pre-Sales Consultant where he was responsible for marketing the company's software solutions to SMEs in Malaysia.

In 1993, he joined SL System as our Pre-Sales Manager where he was responsible for the business development and marketing of Pronto Software to the SME market in Malaysia.

In 1996, he joined Intentia Asia Pacific Pte Ltd as a Solutions Manager where he was responsible for the business development and marketing of software solutions to the Asia Pacific market. He subsequently joined Intentia Malaysia Sdn Bhd in 2000 where he covered the Malaysian market. He subsequently joined SAP Malaysia Sdn Bhd, a software solutions company, as Senior Manager, Solution Architect division and gained more experience in enterprise software solutions. In this role, he was responsible for leading the sales team. He was later appointed as SAP South East Asia Solution Director in 2005 where he was responsible for the business development and marketing of solutions to the South East Asia market. Subsequently in 2008, he was appointed as SAP Malaysia Sdn Bhd's Sales Director, SME and Public Sector, where he was responsible to lead the sales team for the assigned sectors.

He rejoined our Group in 2009 and assumed his present position as General Manager, Enterprise Software Solutions.

7. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(cont'd)*

Kuan Wing Hong, Malaysian, aged 52
Vice President, Enterprise Software Solutions

Kuan Wing Hong is our Vice President, Enterprise Software Solutions and is responsible for overseeing the business development and operations of enterprise software solutions for the large corporations segment. He graduated with a Bachelor of Science from Indiana University Bloomington in 1990.

Kuan Wing Hong started his career in 1990 as a System Analyst in the National Computer Board, Singapore, a Singapore Government agency established to spearhead the development of information and communications technology in Singapore. In 1993, he returned to Malaysia and joined IBM Malaysia Sdn Bhd as a Sales Specialist where he was responsible for the business development of IT infrastructure technology solutions in Malaysia.

Kuan Wing Hong joined our Group in 1998 as a Senior Sales Manager and assumed his present position as Vice President, Enterprise Software Solutions in 2016.

Lim Teng Giap, Malaysian, aged 53
Head of IT Infrastructure Technology

Lim Teng Giap is our Head of IT Infrastructure Technology and is responsible for overseeing the business development and operations of our IT infrastructure technology solutions business. He obtained a Diploma of Science from Tunku Abdul Rahman University College *(formerly known as Tunku Abdul Rahman College)* and subsequently a Bachelor of Computer Science from Campbell University in 1989.

Lim Teng Giap started his career in 1989 with BDS Solutions Sdn Bhd, a software solutions company, as an Application Consultant where he was responsible to implement and customise the company's business solutions to customers in Malaysia. He was then promoted to Project Leader in 1992 where he led a team of consultants to implement and customise the company's business solutions to customers in Malaysia.

He joined our Group in 1995 as a Manager and assumed his current role as Head of IT Infrastructure Technology in 2007.

See Chee Fwai, Malaysian, aged 47
Chief Financial Officer

See Chee Fwai is our Chief Financial Officer and is responsible for overseeing our Group's finance functions. He obtained his Association of Chartered Certified Accountants (ACCA) qualification in 1998 and is also a Chartered Accountant of the Malaysian Institute of Accountants (MIA) since 2003.

See Chee Fwai started his career in 1991 with Public Bank Berhad as a Cashier. In 1993, he joined B Braun Medical Supplies Sdn Bhd as an Accounts Assistant. He later joined MBf Management Sdn Bhd in 1996 as an Audit Officer where he was responsible for the planning and audit of companies within the MBf Holdings Berhad group of companies.

He joined our Group in 1998 as an Accountant and assumed his present position as Chief Financial Officer in 2016.

7.4 Involvement of Our Promoters, Substantial Shareholders, Directors and Key Management Personnel in Businesses/Corporations Outside Our Group

Save as disclosed below, our Promoters, substantial shareholders, Directors and key management personnel do not have any other directorships in other Malaysian corporations or any principal business activities performed outside our Group for the past 3 years prior to the LPD:

Name	Company	Involvement (Director/Shareholder)	Principal Activities
Tan Sri Dr. Syed Jalaludin	ABBA Capital Sdn Bhd	Shareholder	Dormant
	ABBA Food (International) Sdn Bhd	Director[(1)]	Dormant. Intended activity is to be involved in food business
	Aladdin Group Sdn Bhd	Director	Dormant
	Andaman E-Plate Technologies Sdn Bhd	Director[(2)]	Dissolved
	Asia E-learning Sdn Bhd	Director	Education and training services
	Baraka Telecom Sdn Bhd	Director	Education and training services
	Bioalpha Holdings Berhad	Director	Investment holdings
	Essential Plant Solutions Sdn Bhd	Director	Dormant
	Halal Industry Development Corporation Sdn Bhd	Director[(1)]	Development of Halal industry including but not limited to food and non-food industries and services, development of Halal standard as well as audit and certification and to protect the integrity of Halal product
	Home & Office Furniture Sdn Bhd	Director	General trading, manufacturing and exporting of furniture
	Hybrid Cax (M) Sdn Bhd	Director[(1)] and shareholder	Dormant. Intended activity is to be involved in information technology business
	Isra Consultancy Sdn Bhd	Director	Consultancy services
	INCEIF Consultancy Sdn Bhd	Director	Consultancy services in the field of Islamic finance

7. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(cont'd)*

Name	Company	Involvement (Director/Shareholder)	Principal Activities
Tan Sri Dr. Syed Jalaludin *(cont')*	Jubilant Rank Sdn Bhd	Director[(1)]	Investment, construction and general trading
	Kuala Lumpur Lion Foundation	Director	Administration of funds and to undertake the service of haemodialysis
	Kejuruteraan Samudra Timur Berhad	Director[(1)]	Investment holding and provision of tubular handling equipment and running services for the oil and gas industry
	Malaysia Toray Science Foundation	Director	Professional services
	Meteor Technology & Consultancy Sdn Bhd	Director	Consultancy and research in education and information technology project
	Majestic Million Sdn Bhd	Shareholder	To carry on the business of manufacturing of fishing and processing of related products
	Reach Sdn Bhd	Shareholder	To carry on all or any of the trade or business of an investment and holding company in respect of telecommunication service providers, to purchase, acquire and hold licenses or any property, real or personal, movable or immovable, of any kind whatsoever and to carry on all or any of the trades or businesses related to a telecommunication service provider
	Segimaju Sdn Bhd	Director	Building construction engineer
	Segimaju Capital Sdn Bhd	Director	Implementation of concession project
	Segimaju Capital (Bertam) Sdn Bhd	Director	Implementation of concession project
	Segimaju Capital (Lendu) Sdn Bhd	Director	Implementation of concession project
	Segimaju Capital (Jengka) Sdn Bhd	Director	Implementation of concession project
	Sinar Bara Sdn Bhd	Director and shareholder[(2)]	Dissolved

7. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(cont'd)*

Name	Company	Involvement (Director/Shareholder)	Principal Activities
Tan Sri Dr. Syed Jalaludin *(cont')*	Salamfone Sdn Bhd	Shareholder	Trade or business of a mobile telecommunication services provider, business of a telephone, telegraph, cable and wireless communications
	Straits Asia (M) Sdn Bhd	Director	Trading and dealers in lubricants, fuel, base oils, diesel, bitumen and other oils
	Stellar Earnings Sdn Bhd	Director	Dormant
	Spectrum Esop Sdn Bhd	Director and shareholder[(2)]	Employee investment holding
	Taylor's Education Group Foundation	Director	Education and student's development
	Urrma Asia Sdn Bhd	Director and shareholder	R&D, manufacturing, marketing, distributing and consultation as specialist in biotechnological products, to enter into any arrangements with any government or authorities supreme and municipal as well as to adopt such means of making known the products of the company
	Universiti Tun Abdul Razak Sdn Bhd	Director	Higher education and training at tertiary, vocational and professional level, R&D in education, academic and professional, and contract education, training and R&D
	Yayasan Inovasi Malaysia	Director	To develop and promote creative skills in the fields of science and technology, to nurture and support scientific innovation and to conduct educational and awareness programmes
	Yim Technology Resources Sdn Bhd	Director	Dormant with the intention to deploy Yayasan Inovasi Malaysia's iDOLA project and provision of information and communications technology solutions
Soon Seng Teck	Dimension Sdn Bhd	Director and shareholder	Property investment holding company
Sim Boon Ker	Dimension Sdn Bhd	Director and shareholder	Property investment holding company
	Pronto BP (Malaysia) Sdn Bhd	Director and shareholder[(2)]	Dormant

7. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(cont'd)*

Name	Company	Involvement (Director/Shareholder)	Principal Activities
Yee Mee Yin	Dimension Sdn Bhd	Director and shareholder	Property investment holding company
	Sun-Altek Sdn Bhd	Director and shareholder[(2)]	Providing electrical works and consultancy
Lim Chin Kiew	Pronto BP (Malaysia) Sdn Bhd	Director and shareholder[(2)]	Dormant
Chan Kok Wah	Opportunet Sdn Bhd	Director[(1)]	Computer consultancy, R&D on information communication technologies and activities of holding companies

Notes:

(1) He has resigned as a Director of the company.

(2) The company has been dissolved or struck off.

7.5 Benefit Paid or to be Paid or Given

Save as disclosed in Section 7.2.3, of this Information Memorandum, there is no amount or benefit paid or intended to be paid or given to any of our Promoters, Directors or substantial shareholders.

7.6 Service Agreements

As at the LPD, there are no existing or proposed service agreements between the companies within our Group and our Directors and key management personnel which are not terminable by notice without payment or compensation.

7. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(cont'd)*

7.7 Employees

A summary of our Group's total workforce as at 31 December 2017 as well as at the LPD is set out below:

	No. of Employees	
Category	**As at 31 Dec 2017**	**As at the LPD**
Director	3	3
Key management personnel	6	6
Technical	65	69
Non-technical	7	7

We currently have over 80 employees in our employment. None of our employees belong to any trade unions and we enjoy good working relationship with our employees. Thus, we have not experienced any major turnover in our workforce.

7.8 Moratorium

In compliance with Rule 3.07 of the Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of Shares held by our Promoters as follows:

(i) the moratorium applies to our Promoters' entire shareholdings for a period of 12 months from the date of our admission to the Official List; and

(ii) upon expiry of the 12 months period stated above, our Promoters' aggregate shareholdings amounting to at least 45% of the total number of issued Shares shall remain under moratorium for another period of 36 months.

Where the promoter is an unlisted corporation, all direct and indirect shareholders of the unlisted corporation (whether individuals or other unlisted corporations) up to the ultimate individual shareholders must give undertakings to Bursa Securities that they will not sell, transfer or assign their securities in the unlisted corporation for the period stipulated above.

The moratorium shall be imposed according to the following:

	Shares under Moratorium for the First 12 Months Upon Listing		Shares Under Moratorium for the Subsequent 36 Months	
Promoter	**No. of Shares**		**No. of Shares**	
	'000	[(1)]%	'000	[(1)]%
Soon Seng Teck	91,000	71.7	55,622	43.8
Yee Mee Yin	2,500	2.0	1,528	1.2
Total	93,500	73.7	57,150	45.0

Note:

(1) Based on our enlarged issued share capital of 127,000,000 Shares upon Listing.

In addition, all our other existing shareholders also undertake not to sell, transfer or assign any part of their respective entire interest in SL Shares for a period of 12 months from the date of our admission to the Official List.

7. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(cont'd)*

The moratorium, which is fully acknowledged by our Promoters and our existing shareholders, is specifically endorsed on our share certificates representing their shareholdings to ensure that our Share Registrar will not register any sale, transfer or assignment that is not in compliance with the above moratorium.

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8. FINANCIAL INFORMATION

8.1 Audited Combined Statements of Profit or Loss and Other Comprehensive Income

The following table, which has been extracted from our audited combined financial statements as set out in Appendix I of this Information Memorandum, sets out our audited combined statements of profit or loss and other comprehensive income for the FYE 31 December 2015, FYE 31 December 2016 and FYE 31 December 2017 and should be read in conjunction with the 'Management Discussion and Analysis' in Section 9 of this Information Memorandum.

	←	Audited	→
	FYE 31 Dec 2015	**FYE 31 Dec 2016**	**FYE 31 Dec 2017**
	RM'000	**RM'000**	**RM'000**
Revenue	29,940	31,340	35,737
Cost of sales	(17,494)	(19,108)	(20,794)
GP	12,446	12,232	14,943
Other income	226	505	557
Selling and distribution expenses	(658)	(918)	(615)
Administrative expenses	(8,302)	(8,591)	(9,266)
Finance costs	(101)	(104)	(83)
PBT	3,611	3,124	5,536
Taxation	(107)	(953)	(1,333)
Profit for the financial year, representing total comprehensive income for the financial year attributable to owners of the Company	3,504	2,171	4,203
EBITDA	3,917	3,446	5,840
EPS (sen)			
- Basic*	2.8	1.7	3.3
GP margin (%)	41.6	39.0	41.8
PBT margin (%)	12.1	10.0	15.5
PAT margin (%)	11.7	6.9	11.8

Note:

* *Computed based on PAT attribute to common controlling shareholders of the combining entities divided by our enlarged issued shares of 127,000,000 SL Shares.*

8.2 Audited Combined Statements of Financial Position

The following table, which has been extracted from our audited combined financial statements as set out in Appendix I of this Information Memorandum, sets out our audited combined statements of financial position as at 31 December 2015, 31 December 2016 and 31 December 2017 and should be read in conjunction with the 'Management Discussion and Analysis' in Section 9 of this Information Memorandum.

	Audited		
	31 Dec 2015	**31 Dec 2016**	**31 Dec 2017**
	RM'000	**RM'000**	**RM'000**
Assets			
Non-current assets			
Property, plant and equipment	7,583	7,676	7,978
Development expenditures	-	-	86
	7,583	**7,676**	**8,064**
Current assets			
Trade receivables	6,285	8,063	9,095
Other receivables	5,397	8,662	659
Tax recoverable	124	9	275
Cash and bank balances	1,425	2,792	2,430
Total current assets	**13,231**	**19,526**	**12,459**
Total assets	**20,814**	**27,202**	**20,523**
Equity			
Share capital	^	^	5,825
Merger reserve	2,000	2,000	(3,825)
Retained earnings	9,511	9,682	7,385
Total equity	**11,511**	**11,682**	**9,385**
Liabilities			
Non-current liabilities			
Finance lease liabilities	-	-	213
Bank borrowings	1,615	1,071	1,009
Deferred tax liabilities	56	56	73
	1,671	**1,127**	**1,295**
Current liabilities			
Trade payables	3,239	3,824	4,198
Other payables~	3,563	8,444	4,427
Finance lease liabilities	-	-	48
Bank borrowings	821	1,695	37

8. FINANCIAL INFORMATION *(cont'd)*

	Audited		
	31 Dec 2015	31 Dec 2016	31 Dec 2017
	RM'000	RM'000	RM'000
Tax payable	9	430	1,133
	7,632	**14,393**	**9,843**
Total liabilities	**9,303**	**15,520**	**11,138**
Total liabilities and equity	**20,814**	**27,202**	**20,523**
NA per Share (sen)*	9.9	10.0	8.1
Gearing ratio (times)	0.1	#	#

Notes:

^ *Share capital of RM2.*

~ *Include deferred revenue and accruals which comprise of non-trade items such as Employees Provident Fund (EPF) payment, income tax payable and incentive payable to staff.*

* *Computed based on our existing issued shares of 116,500,000 SL Shares.*

Our Group was in a net positive cash position.

8.3 Audited Combined Statements of Cash Flows

The following table, which has been extracted from our audited combined financial statements as set out in Appendix I of this Information Memorandum, sets out the summary of our audited combined statements of cash flows for the FYE 31 December 2015, FYE December 2016 and FYE 31 December 2017 and should be read in conjunction with the 'Management Discussion and Analysis' in Section 9 of this Information Memorandum.

	Audited		
	FYE 31 Dec 2015	FYE 31 Dec 2016	FYE 31 Dec 2017
	RM'000	RM'000	RM'000
Net cash from operating activities	866	3,336	5,196
Net cash used in investing activities	(1,508)	(310)	(322)
Net cash used in financing activities	(1,378)	(2,509)	(4,082)
Net (decrease)/increase in cash and cash equivalents	(2,020)	517	792
Effect of exchange translation differences on cash and cash equivalents	18	11	(6)
Cash and cash equivalents at the beginning of the financial year	3,118	1,116	1,644
Cash and cash equivalents at the end of the financial year	1,116	1,644	2,430

9. MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis of our past financial condition and results of operations should be read in conjunction with our Audited Combined Financial Statements as set out in Appendix I of this Information Memorandum.

This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below or elsewhere in this Information Memorandum, particularly in the section entitled 'Risk Factors' set out in Section 6 of this Information Memorandum.

9.1 Overview

We are principally involved in the provision of a wide and complementary range of solutions comprising IT Infrastructure technology, ERP solutions and value-added enterprise software solutions. Please refer to Section 4.1 of this Information Memorandum for further details of our solutions and services.

In line with our business strategies and future plans as set out in Section 4.14 of this Information Memorandum, we will focus on the expansion of our range of solutions and services. Please refer to Section 9.7 of this Information Memorandum for significant factors which affect our financial position and results of operations and Section 6 of this Information Memorandum for the risk factors that may affect our revenue and financial performance.

9.2 Revenue

The following table sets out a breakdown of our Group's revenue by activities for the FYE 31 December 2015, FYE 31 December 2016 and FYE 31 December 2017:

IT infrastructure technology solutions	:	Provision of hardware, system software, network resources and related accessories required in the operation and management of an enterprise IT environment.
Enterprise software solutions	:	Business process management software.

	Audited FYE 31 December					
	2015		2016		2017	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
IT infrastructure technology solutions	11,838	39.5	17,279	55.1	17,305	48.4
Enterprise software solutions	18,102	60.5	14,061	44.9	18,432	51.6
Total	**29,940**	**100.0**	**31,340**	**100.0**	**35,737**	**100.0**
Recurring revenue	6,989	23.3	7,306	23.3	7,754	21.7

9. MANAGEMENT DISCUSSION AND ANALYSIS *(cont'd)*

Comparison between FYE 31 December 2015 and FYE 31 December 2016

Our Group's revenue is derived from project based sales and retainer based contracts which comprise both IT infrastructure technology solutions and enterprise software solutions, whereby the composition is dependent on the nature of the project and our customer's requirements.

Our revenue increased by approximately 4.7% or RM1.4 million from RM29.9 million in the FYE 31 December 2015 to RM31.3 million in the FYE 31 December 2016 due to an increase in revenue from our IT infrastructure technology solutions business mainly as a result of us securing 3 new customers involving sales of IT infrastructure.

Our recurring revenue from maintenance services increased by 4.5% in the FYE 31 December 2016 mainly as a result of us securing new customers during the year.

Comparison between FYE 31 December 2016 and FYE 31 December 2017

Our Group's revenue increased by approximately 14.0% or RM4.4 million from RM31.3 million for the FYE 31 December 2016 to RM35.7 million for the FYE 31 December 2017 due to an increase in revenue from our enterprise software solutions business mainly as a result of us securing 5 new customers involving sales of enterprise software as well as services rendered arising upgrade of software by our existing customers.

Our recurring revenue from maintenance services increased by 6.1% in the FYE 31 December 2017 mainly as a result of us securing new customers during the year.

9.3 Cost of Sales

The following table sets out a breakdown of our Group's cost of sales for the FYE December 31 December 2015, FYE 31 December 2016 and FYE 31 December 2017:

	Audited FYE 31 December					
	2015		2016		2017	
	RM'000	%	RM'000	%	RM'000	%
IT infrastructure technology solutions	9,649	55.2	11,803	61.8	13,641	65.6
Enterprise software solutions	7,845	44.8	7,305	38.2	7,153	34.4
Total	**17,494**	**100.0**	**19,108**	**100.0**	**20,794**	**100.0**

Our Group's cost of sales comprises purchases of hardware, software, service costs and direct labour cost.

Comparison between FYE 31 December 2015 and FYE 31 December 2016

Our cost of sales increased by approximately 9.2% or RM1.6 million from RM17.5 million in the FYE 31 December 2015 to RM19.1 million in the FYE 31 December 2016 mainly due to higher purchases of IT hardware in line with the 3 new projects secured involving sales of IT infrastructure.

Comparison between FYE 31 December 2016 and FYE 31 December 2017

Our cost of sales increased by approximately 8.8% or RM1.7 million in the FYE 31 December 2017 mainly due to higher foreign currency exchange rates which resulted in higher costs of IT hardware for the IT infrastructure technology solutions segment, which was partially offset by the lower cost of sales for the enterprise software solutions segment. This lower cost of sales was mainly due to lower technical staff cost arising from recruitment of more junior staff as replacement for senior staff who have retired during the year.

9. MANAGEMENT DISCUSSION AND ANALYSIS *(cont'd)*

9.4 GP and GP Margin

The following table sets out a breakdown of our Group's GP and GP margin by activities for the FYE 31 December 2015, FYE 31 December 2016 and FYE 31 December 2017:

	Audited FYE 31 December					
	2015		2016		2017	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
IT infrastructure technology solutions	2,189	17.6	5,476	44.8	3,664	24.5
Enterprise software solutions	10,257	82.4	6,756	55.2	11,279	75.5
Total GP	**12,446**	**100.0**	**12,232**	**100.0**	**14,943**	**100.0**

	Audited FYE 31 December		
	2015	**2016**	**2017**
	%	**%**	**%**
IT infrastructure technology solutions	18.5	31.7	21.2
Enterprise software solutions	56.7	48.0	61.2
Group GP Margin	**41.6**	**39.0**	**41.8**

Comparison between FYE 31 December 2015 and FYE 31 December 2016

Our Group's GP margin decreased from 41.6% in the FYE 31 December 2015 to 39.0% in the FYE 31 December 2016 mainly due to lower contribution from our enterprise software solutions business.

Comparison between FYE 31 December 2016 and FYE 31 December 2017

Our Group's GP margin increased from 39.0% in the FYE 31 December 2016 to 41.8% in the FYE 31 December 2017 mainly due to higher contribution from our enterprise software solutions business.

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9. MANAGEMENT DISCUSSION AND ANALYSIS *(cont'd)*

9.5 Administrative Expenses

The following table sets out a breakdown of our Group's administrative expenses for the FYE 31 December 2015, FYE 31 December 2016 and FYE 31 December 2017:

	Audited FYE 31 December					
	2015		2016		2017	
	RM'000	%	RM'000	%	RM'000	%
Staff cost and incentive	5,908	71.1	6,012	70.0	6,763	73.0
Travelling and entertainment	734	8.8	453	5.3	508	5.5
Amortisation and depreciation	205	2.5	218	2.5	221	2.4
Staff amenities and welfare	346	4.2	278	3.2	362	3.9
Office Utilities	313	3.8	303	3.5	281	3.0
Upkeep office, equipment and leas	374	4.5	427	5.0	509	5.5
Others	422	5.1	900	10.5	622	6.7
Total	**8,302**	**100.0**	**8,591**	**100.0**	**9,266**	**100.0**

Our administrative expenses mainly comprise of staff cost and incentives for our Directors and Sales and Administrative personnel.

Our administrative expenses increased by 7.9% or RM0.7 million from RM8.6 million in the FYE 31 December 2016 to RM9.3 million in the FYE 31 December 2017 mainly due to higher incentive payments following the higher GP generated during the year.

9.6 PAT and PAT Margin

The following table sets out a breakdown of our Group's PAT and PAT margin for the FYE 31 December 2015, FYE 31 December 2016 and FYE 31 December 2017:

	Audited FYE 31 December		
	2015	2016	2017
Total PAT(RM'000)	3,504	2,171	4,203
PAT Margin (%)	11.7	6.9	11.8

Comparison between FYE 31 December 2015 and FYE 31 December 2016

Our Group's PAT decreased by 38.0% or RM1.3 million whilst our PAT margin decreased from 11.7% in the FYE 31 December 2015 to 6.9% in the FYE 31 December 2016 mainly due to higher taxation expense during the year following the expiry of SL Solutions' tax-exemption on 30 June 2016.

Comparison between FYE 31 December 2016 and FYE 31 December 2017

Our Group's PAT increased by 93.6% or RM2.0 million whilst our PAT margin increased from 6.9% in the FYE 31 December 2016 to 11.8% in the FYE 31 December 2017 mainly due to higher GP margin generated as explained above.

9.7 Significant Factors Affecting Our Financial Position and Results of Operations

Our financial position and results of operations have been and will continue to be affected by, amongst others, the following factors which may not be within our control:

(i) General economic conditions of industries in which our potential customers operate

Our ability to secure new customers and contracts is dependent on the general economic conditions of the industries in which our potential customers operate. In particular, trends in corporate earnings and IT expenditure of our potential customers will affect our business and financial performance.

(ii) Ability to enhance or maintain our solutions and services to meet customers' expectations

We need to constantly enhance or maintain the relevance of our solutions and quality of our services to meet our customers' expectations. Our future revenue is dependent on customers' acceptance of our solutions and services and our ability to meet their IT requirements.

(iii) Talent retention

We have not experienced any shortage of skilled technical personnel to undertake our principal activities. Notwithstanding that we currently have sufficient skilled technical personnel to support our current business and operations, we intend to continuously attract and retain talent to grow our business and operations.

(iv) Tax incentive

One of our subsidiary, SL Solutions is a MSC Malaysia status company. Pursuant thereto, the company was exempted from income tax for a period of 5 years from 1 July 2011 to 30 June 2016 which largely contributed to a low effective tax rate of 3.0% for the FYE 31 December 2015 as compared to 30.5% for the FYE 31 December 2016 and 24.1% for the FYE December 2017.

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9. MANAGEMENT DISCUSSION AND ANALYSIS *(cont'd)*

9.8 Impact of Foreign Currency Exchange Rates

We may be exposed to foreign currency exchange risks as part of our purchases are transacted in USD and SGD. Any significant change in foreign currency exchange rates may affect our financial results.

We have not incurred any material loss arising from foreign currency exchange during the financial year under review. Our net realised foreign exchange losses or gains for the financial year under review are as follows:

	← FYE 31 December →		
	2015	**2016**	**2017**
	RM'000	**RM'000**	**RM'000**
Net gain/(loss) on foreign exchange	(194)	116	26
% of PBT	-5.4	3.7	0.5

9.9 Material Capital Commitments

Save as disclosed below, as at the LPD, there is no material capital commitment incurred or known to be incurred by us or by our subsidiary companies, which upon becoming enforceable, may have a material impact on our financial position:

	← FYE 31 December →			**Up to the LPD**
	2015	**2016**	**2017**	
	RM'000	**RM'000**	**RM'000**	**RM'000**
Property, plant and equipment	276	244	-	-

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9.10 Order Book

Generally, we do not have any long-term contracts with our customers as our sales are made based on confirmed orders and retainer based contracts renewable on an annual basis. Our sales process entails planning and discussions with prospective customers, analysing their existing system and identifying how these prospective customers can leverage our expertise and experience as well as our understanding of market trends and needs of the industries they operate in to enhance their operational processes.

As such, our order book may change at any particular point in time as a result of additions, deferrals or rescheduling of our solutions and/or services. As at the LPD, our order book stood at approximately RM10.5 million with a major portion expected to be fulfilled by the FYE 31 December 2018. In the past, we have experienced instances of additions, deferrals or rescheduling at the request of our customers. However, as at the LPD, our customers' additions, deferrals or rescheduling of orders have not materially distorted our normal business operations.

We actively and continuously market our solutions and services in order to secure new customers. In addition, we are also intensifying marketing and promotional activities for our MountainTop and other value-added enterprise software solutions to our existing customers as part of our business strategies. Riding on our competitive strengths as set out in Section 4.4 of this Information Memorandum as well as our commitment towards the growth of our business, barring unforeseen circumstances, we are optimistic of the business and prospects of our Group in the foreseeable future.

9.11 Trend Information

Based on our track record for the financial year/period under review, including our segmental analysis of revenue and profitability and our business strategies as detailed in Section 4.14 of this Information Memorandum, we expect and anticipate the following trends:

(i) For the financial year under review, our revenue was derived from IT infrastructure technology solutions and enterprise software solutions. Moving forward, we expect higher contribution from our enterprise software solutions following our marketing and promotional activities to create awareness of our MountainTop and other value-added enterprise software solutions and educate our existing customers on their benefits and advantages. According to Providence, the forecast growth of the IT infrastructure technology solution industry in Malaysia will be driven by growth in digital data volume, technological evolution to include big data, IoT and artificial intelligence as well as continuous growth in number of new enterprises in Malaysia. At the same time, we also expect IT infrastructure solutions to continue to contribute positively to our revenue;

(ii) The main components of our costs are purchase of hardware and software, which contributed more than 66.0% of our cost of sales. Moving forward, our cost of sales is expected to increase in tandem with the growth of our purchases; and

(iii) We recorded GP margins of 41.6%, 39.0% and 41.8% and PAT margins of 11.7%, 6.9% and 11.8% for the FYE 31 December 2015, FYE 31 December 2016 and FYE 31 December 2017 respectively. We aim to intensify marketing and promotional activities for our MountainTop and other value-added enterprise software solutions, which generate relatively higher profit margins, to our existing customers in order to enhance our profitability.

10. OTHER INFORMATION

10.1 Material Contracts

Save as disclosed below, there are no contracts which are or may be material (not being contracts entered into in the ordinary course of business) which have been entered into by our Company or our subsidiaries within the 2 years immediately preceding the date of this Information Memorandum:

- Share purchase agreement dated 15 November 2017 entered into between SL and the shareholders of SL System to purchase the entire issued shares of SL System comprising 2,000,000 ordinary shares for RM5,825,000 to be paid by way of issuing and allotting 116,499,998 ordinary shares of SL. The agreement is completed as at the LPD.

10.2 Material Litigation and Contingent Liabilities

As at the LPD, we are not engaged in any material litigation, claims or arbitration either as plaintiff or defendant and our Board does not know of any proceeding pending or threatened or of any fact likely to give rise to any proceedings which might materially or adversely affect our position or business.

As at the LPD, there is no contingent liability which, upon becoming enforceable, may have a material impact on our financial position or business.

10.3 Related Party Transactions

Under the Listing Requirements, a ‘related party transaction’ is a transaction entered between the listed corporation or its subsidiaries and a related party. A ‘related party’ of a listed issuer is:

(i) A director having the same meaning given in Section 2(1) of the CMSA and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a director of the listed corporation or a chief executive of the listed corporation; or

(ii) A major shareholder who has an interest of 10.0% or more of the total number of voting shares in a corporation; or

A person connected with such director or major shareholder.

10. OTHER INFORMATION *(cont'd)*

10.3.1 Existing and proposed related party transactions

Save as disclosed below, our Board confirms that there are no existing or presently proposed related party transactions entered into between our Group and our Directors, major shareholders and/or persons connected with them for the FYE 31 December 2017 and subsequent period up to the LPD.

			Actual	
Transacting Parties	**Nature of Relationship**	**Nature of Transaction**	**FYE 31 December 2017 RM'000**	**Subsequent Period up to the LPD RM'000**
Dimension Sdn Bhd ("**Dimension**") and SL Solutions	Soon Seng Teck, our controlling shareholder and Managing Director is also a Director and shareholder of Dimension Sim Boon Ker, our Executive Director is also a Director and shareholder of Dimension	Rental of premise for our staff accommodation	[1]50	-

Note:

(1) Amount relating to the period from 1 January 2017 to 30 September 2017 as the rental agreement was terminated on 30 September 2017.

Upon Listing, our Board will ensure that any related party transactions are carried out on normal commercial terms which are not more favourable to the related parties than those generally available to third parties dealing at arm's length and are not detrimental to our minority shareholders.

10.4 Interests in Similar Businesses and Other Conflict of Interest

As at the LPD, none of our Directors and/or substantial shareholders has any interest, direct or indirect, in any other business or corporation carrying on a trade similar to that of our Group and/or any business or corporations which are our customers or suppliers.

10.5 Other Transactions

There are no transactions that are unusual in nature or conditions, involving goods, services, tangible or intangible assets, to which we were a party during the FYE 31 December 2017 up to the LPD.

There are no outstanding loans, including guarantees of any kind made by our Group to or for the benefit of related parties during the FYE 31 December 2017 up to the LPD.

10. OTHER INFORMATION *(cont'd)*

10.6 Declaration by Our Advisers

10.6.1 Mercury Securities

Mercury Securities confirms that there is no existing or potential conflict of interest in relation to its capacity as the Approved Adviser and Placement Agent for our Listing.

10.6.2 Raja, Darryl & Loh

Raja, Darryl & Loh confirms that there is no existing or potential conflict of interests in its capacity as the Legal Adviser for our Listing

10.6.3 UHY

UHY confirms that there is no existing or potential conflict of interest in relation to its capacity as the Auditors and Reporting Accountants for our Listing.

10.6.4 Providence

Providence confirms that there is no existing or potential conflict of interest in relation to its capacity as the Independent Market Researcher for our Listing.

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APPENDIX I

AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015, 31 DECEMBER 2016 AND 31 DECEMBER 2017

UHY

SL INFORMATION BERHAD
(Company No: 972155-K)
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

31 DECEMBER 2017

Registered office:
Suite 10.03, Level 10
The Gardens South Tower
Mid Valley City
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Principal place of business:
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Jalan PJU 1/41
Dataran Prima
47301 Petaling Jaya
Selangor Darul Ehsan

Company No. | 972155 | K |

SL INFORMATION BERHAD
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

31 DECEMBER 2017

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*****

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SL INFORMATION BERHAD
(Company No.: 972155-K)
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE COMBINED FINANCIAL STATEMENTS

Opinion

We have audited the combined financial statements of SL Information Berhad ("the Company") and its subsidiary companies ("the Group"), which comprise combined statements of financial position as at 31 December 2015, 31 December 2016 and 31 December 2017 of the Group, and the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the financial years then ended, and notes to the combined financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 5 to 70.

In our opinion, the accompanying combined financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, 31 December 2016 and 31 December 2017, and of their financial performance and their cash flows for the financial years then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Combined Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SL INFORMATION BERHAD (CONT'D)
(Company No.: 972155-K)
(Incorporated in Malaysia)

Responsibilities of the Directors for the Combined Financial Statements

The Directors of the Company are responsible for the preparation of combined financial statements of the Group that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of combined financial statements of the Group that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Combined Financial Statements

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the combined financial statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SL INFORMATION BERHAD (CONT'D)
(Company No.: 972155-K)
(Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Combined Financial Statements (Cont'd)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the combined financial statements of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the combined financial statements of the Group, including the disclosures, and whether the combined financial statements of the Group represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the combined financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SL INFORMATION BERHAD (CONT'D)
(Company No.: 972155-K)
(Incorporated in Malaysia)

Other Matter

This report is made solely to the Directors of the Company, as a body for inclusion in the information memorandum of SL Information Berhad in connection with the proposed listing of and quotation for the enlarged issued share capital of SL Information Berhad on the LEAP Market of Bursa Malaysia Securities Berhad. This report is given for the purposes of complying with the LEAP Market Listing Requirements issued by the Bursa Malaysia Securities Berhad and for no other purpose. We do not assume responsibility to any other person for the content of this report.

UHY
Firm Number: AF 1411
Chartered Accountants

LIM BEE PENG
Approved Number: 03307/06/2019 J
Chartered Accountant

KUALA LUMPUR
10 APR 2018

SL INFORMATION BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2017, 31 DECEMBER 2016 AND 31 DECEMBER 2015

	Note	2017 RM	2016 RM	2015 RM
ASSETS				
Non-Current Asset				
Property, plant and equipment	4	7,978,421	7,676,318	7,583,417
Development expenditures	5	85,844	-	-
		8,064,265	7,676,318	7,583,417
Current Assets				
Trade receivables	6	9,095,196	8,062,703	6,285,281
Other receivables	7	658,613	8,662,476	5,396,867
Tax recoverable		275,344	9,163	124,016
Cash and bank balances		2,429,619	2,791,569	1,425,046
		12,458,772	19,525,911	13,231,210
Total Assets		20,523,037	27,202,229	20,814,627
EQUITY				
Share capital	8	5,825,002	2	2
Merger reserve	9	(3,825,000)	2,000,000	2,000,000
Retained earnings		7,385,138	9,681,929	9,511,397
Total Equity		9,385,140	11,681,931	11,511,399
LIABILITIES				
Non-Current Liabilities				
Finance lease liabilities	10	212,752	-	-
Bank borrowings	11	1,009,300	1,070,861	1,614,878
Deferred tax liabilities	12	72,784	56,583	55,699
		1,294,836	1,127,444	1,670,577
Current Liabilities				
Trade payables	13	4,197,842	3,823,659	3,238,943
Other payables	14	4,426,759	8,444,152	3,563,106
Finance lease liabilities	10	48,331	-	-
Bank borrowings	11	37,142	1,695,327	821,287
Tax payable		1,132,987	429,716	9,315
		9,843,061	14,392,854	7,632,651
Total Liabilities		11,137,897	15,520,298	9,303,228
Total Equity and Liabilities		20,523,037	27,202,229	20,814,627

The accompanying notes form an integral part of the combined financial statements.

SL INFORMATION BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017, 31 DECEMBER 2016 AND 31 DECEMBER 2015

	Note	2017 RM	2016 RM	2015 RM
Revenue	15	35,736,835	31,340,501	29,940,557
Cost of sales		(20,793,952)	(19,108,172)	(17,494,089)
Gross profit		14,942,883	12,232,329	12,446,468
Other income		556,795	504,858	225,879
Selling and distribution expenses		(614,530)	(918,248)	(657,516)
Administrative expenses		(9,265,680)	(8,590,724)	(8,301,705)
Finance costs	16	(83,294)	(104,627)	(101,176)
Profit before taxation	17	5,536,174	3,123,588	3,611,950
Taxation	18	(1,332,965)	(953,056)	(107,806)
Profit for the financial year, representing total comprehensive income for the financial year attributable to owners of the Company		4,203,209	2,170,532	3,504,144
Earnings per ordinary share ("EPS") (sen):				
- Basic and diluted	20	4	108,526,600	175,207,200

The accompanying notes form an integral part of the combined financial statements.

SL INFORMATION BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017, 31 DECEMBER 2016 AND 31 DECEMBER 2015

		Attributable to Owners of the Parent			
		Non-Distributable		Distributable	
	Note	Share Capital RM	Merger Reserve RM	Retained Earnings RM	Total Equity RM
At 1 January 2015		2	2,000,000	8,007,253	10,007,255
Profit for the financial year, representing total comprehensive income for the financial year		-	-	3,504,144	3,504,144
Transaction with owners:					
Dividends paid to owner of the subsidiary company	21	-	-	(2,000,000)	(2,000,000)
At 31 December 2015		2	2,000,000	9,511,397	11,511,399
At 1 January 2016		2	2,000,000	9,511,397	11,511,399
Profit for the financial year, representing total comprehensive income for the financial year		-	-	2,170,532	2,170,532
Transaction with owners:					
Dividends paid to owner of the subsidiary company	21	-	-	(2,000,000)	(2,000,000)
At 31 December 2016		2	2,000,000	9,681,929	11,681,931

SL INFORMATION BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017, 31 DECEMBER 2016 AND 31 DECEMBER 2015 (CONT'D)

		Attributable to Owners of the Parent			
		Non-Distributable		Distributable	
	Note	Share Capital RM	Merger Reserve RM	Retained Earnings RM	Total Equity RM
At 1 January 2017		2	2,000,000	9,681,929	11,681,931
Profit for the financial year, representing total comprehensive income for the financial year		-	-	4,203,209	4,203,209
Transactions with owners:					
Issuance of ordinary shares	8	5,825,000	(5,825,000)	-	-
Dividends paid to owner of the subsidiary company	21	-	-	(6,500,000)	(6,500,000)
Total transactions with owners		5,825,000	(5,825,000)	(6,500,000)	(6,500,000)

The accompanying notes form an integral part of the combined financial statements.

SL INFORMATION BERHAD
(Incorporated In Malaysia)

COMBINED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017, 31 DECEMBER 2016 AND 31 DECEMBER 2015

	2017 RM	2016 RM	2015 RM
Cash Flows From Operating Activities			
Profit before taxation	5,536,174	3,123,588	3,611,950
Adjustments for:			
Bad debt written off	-	40,199	-
Depreciation of property, plant and equipment	221,070	217,464	205,320
Gain on disposal of property, plant and equipment	(22,087)	-	-
Impairment losses on trade receivables	-	152,432	-
Reversal of impairment losses of trade receivables	(21,385)	-	-
Unrealised gain on foreign exchange	(1,967)	(16,671)	(17,863)
Unrealised loss on foreign exchange	8,258	7,767	-
Interest income	(295)	(195)	(81)
Interest expense	83,294	104,627	101,176
Operating profit before working capital changes	5,803,062	3,629,211	3,900,502
Change in working capital:			
Receivables	3,995,904	(5,239,407)	(967,311)
Payables	(3,640,634)	5,467,488	(1,711,860)
	355,270	228,081	(2,679,171)
Cash generated from operations	6,158,332	3,857,292	1,221,331
Interest received	295	195	81
Interest paid	(83,294)	(104,627)	(101,176)
Tax paid	(1,002,676)	(416,918)	(258,937)
Tax refund	123,000	-	5,000
	(962,675)	(521,350)	(355,032)
Net cash from operating activities	5,195,657	3,335,942	866,299

SL INFORMATION BERHAD
(Incorporated In Malaysia)

COMBINED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017, 31 DECEMBER 2016 AND 31 DECEMBER 2015 (CONT'D)

	Note	2017 RM	2016 RM	2015 RM
Cash Flows From Investing Activities				
Purchase of property, plant and equipment,	4(a)	(322,406)	(310,365)	(1,507,725)
Proceeds from disposal of property, plant and equipment		86,320	-	-
Addition of development expenditures		(85,844)	-	-
Net cash used in investing activities		(321,930)	(310,365)	(1,507,725)
Cash Flows From Financing Activities				
Dividends paid		(3,506,214)	(2,000,000)	(2,000,000)
Repayment of finance lease liabilities		(3,917)	-	(40,170)
Drawndown of term loans		-	-	1,105,000
Repayment of term loans		(571,744)	(508,741)	(443,518)
Net cash used in financing activities		(4,081,875)	(2,508,741)	(1,378,688)
Net increase/(decrease) in cash and cash equivalents		791,852	516,836	(2,020,114)
Effect of exchange translation differences on cash and cash equivalents		(5,800)	10,923	17,863
Cash and cash equivalents at the beginning of the financial year		1,643,567	1,115,808	3,118,059
Cash and cash equivalents at the end of the financial year		2,429,619	1,643,567	1,115,808
Cash and cash equivalents at the end of the financial year comprise:				
Cash and bank balances		2,429,619	2,791,569	1,425,046
Bank overdrafts		-	(1,148,002)	(309,238)
		2,429,619	1,643,567	1,115,808

The accompanying notes form an integral part of the combined financial statements.

SL INFORMATION BERHAD
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS

This combined financial statements deals solely with the audited consolidated financial statements of SL Information Berhad ("the Company") and its subsidiary companies for the financial year ended 31 December 2015, 31 December 2016 and 31 December 2017.

The combined financial statements consist of the financial statements of combining entities as disclosed in Note 28 to the combined financial statements, which were under common control throughout the reporting periods by virtue of common controlling shareholder, and has been accounted for on a business combination under common control in a manner similar to pooling of interests.

The combined financial statements have been prepared using financial information obtained from the records of the combining entities during the reporting periods.

The financial information as presented in the combined financial statements do not correspond to the consolidated financial statements of the Company, as the combined financial statements reflect business combinations under common control for the purpose of the proposed listing of and quotation for the enlarged issued share capital of SL Information Berhad on the LEAP Market of Bursa Malaysia Securities Berhad. Consequently, the financial information from the combined financial statements do not purport to predict the financial positions, results of operations and cash flows of the combining entities during the reporting periods.

1. **General Information**

SL Infomation Sdn. Bhd. was incorporated on 19 December 2011, a private limited company, with an issued and paid-up share capital of RM2 comprising two (2) ordinary shares. On 17 November 2017, the Company was converted into a public limited company and assumed its present name of SL Infomation Berhad.

The registered office of the Company is located at Suite 10.03, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

The principal place of business of the Company is located at 23-6, Block D1, Jalan PJU 1/41, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan.

The principal activity of the Company is that of providing management services. The principal activities of the combining entities are disclosed in Note 28 to the combined financial statements. There have been no significant changes in the nature of these activities during the financial year ended 31 December 2015, 31 December 2016 and 31 December 2017.

2. Basis of Preparation

(a) Statement of Compliance

The combined financial statements have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs") and based on the Guidance Note on "Combined Financial Statements" used by the Malaysia Institute of Accountants in relation to the proposed listing of and quotation for the enlarged issued share capital of SL Information Berhad on the LEAP Market of Bursa Malaysia Securities Berhad.

Adoption of new and amended standards

During the current financial year, the Group has adopted the following amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial year:

Amendments to MFRS 107	Disclosure Initiative
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to MFRSs 2014 –2016 Cycle	Amendments to MFRS 12

The adoption of the Amendments to MFRS 107 has required additional disclosure of changes in liabilities arising from financing activities in Note 22 to the combined financial statements. Other than that, the adoption of above amendments to MFRS did not have any significant impact on the combined financial statements of the Group.

Standards issued but not yet effective

The Group has not applied the following new MFRSs, new Interpretations and amendments to MFRSs that have been issued by the MASB but are not yet effective for the Group:

		Effective dates for financial periods beginning on or after
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018

2. **Basis of Preparation (Cont'd)**

(a) **Statement of Compliance (Cont'd)**

Standards issued but not yet effective (Cont'd)

		Effective dates for financial periods beginning on or after
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018*
Amendments to MFRS 15	Clarifications to MFRS 15	1 January 2018
Amendments to MFRS 140	Transfers of Investment Property	1 January 2018
Annual Improvements to MFRSs 2014 – 2016 Cycle:		
• Amendments to MFRS 1		1 January 2018
• Amendments to MFRS 128		1 January 2018
MFRS 16	Leases	1 January 2019
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128	Long-term interests in Associates or Joint Ventures	1 January 2019
Annual Improvements to MFRSs 2015 – 2017 Cycle:		
• Amendments to MFRS 3		1 January 2019
• Amendments to MFRS 11		1 January 2019
• Amendments to MFRS 112		1 January 2019
• Amendments to MFRS 123		1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

Note:

* *Entities that meet the specific criteria in MFRS 4, paragraph 20B, may choose to defer the application of MFRS 9 until that earlier of the application of the forthcoming insurance contracts standard or annual periods beginning before 1 January 2021.*

The Group intends to adopt the above MFRSs when they become effective.

2. **Basis of Preparation (Cont'd)**

(a) **Statement of Compliance (Cont'd)**

The initial application of the abovementioned MFRSs are not expected to have any significant impact on the combined financial statements of the Group except as mentioned below:

Standards issued but not yet effective

(i) MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014)

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces earlier versions of MFRS 9 and introduces a package of improvements which includes a classification and measurement model, a single forward looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. MFRS 9 when effective will replace MFRS 139 *Financial Instruments: Recognition and Measurement.*

MFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income without subsequent recycling to profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in MFRS 139. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. MFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under MFRS 139.

(ii) MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 replaces MFRS 118 *Revenue*, MFRS 111 *Construction Contracts* and related IC Interpretations. The Standard deals with revenue recognition and establishes principles for reporting useful information to users of combined financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

2. **Basis of Preparation (Cont'd)**

(a) **Statement of Compliance (Cont'd)**

Standards issued but not yet effective (Cont'd)

(ii) MFRS 15 *Revenue from Contracts with Customers* (Cont'd)

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

(iii) MFRS 16 *Leases*

MFRS 16, which upon the effective date will supersede MFRS 117 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under MFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the combined statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

In respect of the lessor accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

2. **Basis of Preparation (Cont'd)**

(a) **Statement of Compliance (Cont'd)**

Standards issued but not yet effective (Cont'd)

(iv) <u>MFRS 17 *Insurance Contracts*</u>

MFRS 17 which will supersede MFRS 4 *Insurance Contracts* is effective for annual reporting periods beginning on or after 1 January 2021 with earlier application permitted as long as MFRS 9 and MFRS 15 are also applied. An entity identifies as insurance contracts those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. MFRS 17 requires to separate specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts, as well as to divide the contracts into groups that an entity will recognise and measure. MFRS 17 also include an optional simplified measurement approach, or premium allocation approach, for simpler insurance contracts.

The impact of the new MFRSs, amendments and improvements to published standard on the combined financial statements of the Group are currently being assessed by management.

(b) **Basis of measurement**

The combined financial statements have been prepared on the historical cost basis other than as disclosed in Note 3 to the combined financial statements.

(c) **Functional and presentation currency**

Items included in the financial statements of each of the combining entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company is Ringgit Malaysia ("RM"). The combined financial statements are presented in Ringgit Malaysia ("RM"), which is the functional and presentation currency of the principal operating combining entities.

2. Basis of Preparation (Cont'd)

(d) Significant accounting judgements, estimates and assumption

The preparation of the combined financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the combined financial statements other than those disclosed in the following notes:

Judgements

There are no critical judgement in applying accounting policies that have significant effect on the amounts recognised in the combined financial statements.

Key sources of estimation uncertainty

Useful lives of property, plant and equipment

The combining entities regularly review the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment. The carrying amount at the reporting date for property, plant and equipment and disclosed in Note 4 to the combined financial statements.

Development costs

The Group capitalises development costs for a project in accordance with the accounting policy. Initial capitalisation of development costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generations of the project, discount rates to be applied and the expected period of benefits. The carrying amount at the reporting date for development costs is disclosed in Note 5 to the combined financial statements.

2. **Basis of Preparation (Cont'd)**

(d) **Significant accounting judgements, estimates and assumption (Cont'd)**

Recoverability of development costs

During the year, the Directors considered the recoverability of the Group's development cost arising from its development of MountainTop solutions.

Change of entity environment would cause the Directors to reconsider their assumptions regarding future market share and anticipated margins of this product. Detailed sensitivity analysis has been carried out and the Directors are confident that the carrying amount of the asset will be recovered in full, even if returns are reduced. This situation will be closely monitored, and adjustments made in future periods, if market activity indicates that such adjustments are appropriate. The carrying amount at the reporting date for development costs is disclosed in Note 5 to the combined financial statements.

Amortisation of development costs

Changes in the expected level of usage and technological development could impact the economic useful lives, therefore future amortisation charges could be revised.

Impairment of loans and receivables

The combining entities assess at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the combining entities consider factors such as the probability of insolvency or significant financial difficulties of the receivables and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of the combining entities' trade and other receivables is disclosed in Notes 6 and 7 to the combined financial statements.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the unused tax losses, unabsorbed capital allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies of the carrying value of recognised and unrecognised deferred tax assets are disclosed in Note 12 to the combined financial statements.

2. **Basis of Preparation (Cont'd)**

(d) **Significant accounting judgements, estimates and assumption (Cont'd)**

Income taxes

Judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The combining entities recognise liabilities for tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these tax matters is different from the amounts that were initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made. As at 31 December 2017, the combining entities have tax recoverable of RM275,344 (2016: RM9,163, 2015: RM124,016) and tax payable of RM1,132,987 (2016: RM429,716, 2015: RM9,315).

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. Details of the assumptions used are given in the Note 26(c) regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

3. **Significant Accounting Policies**

(a) **Basis of consolidation**

The combined financial statements incorporate the financial statements of the combining entities as disclosed in Note 28 to the combined financial statements. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

(a) Power over the investee;
(b) Exposure, or rights, to variable returns from its involvement with the investee; and
(c) The ability to use its power over the investee to affect its returns.

3. **Significant Accounting Policies (Cont'd)**

(a) **Basis of consolidation (Cont'd)**

If the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) The contractual arrangement with the other vote holders of the investee;
(b) Rights arising from other contractual agreements; and
(c) The voting rights of the Group and potential voting rights.

Intragroup balances, transactions, income and expenses are eliminated in the combined financial statements. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the interest of the Group in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment. The combined financial statements reflect external transactions only.

The financial statements of the combining entities are prepared for the same reporting period, using consistent accounting policies. The accounting policies of the combining entities are changed to ensure consistency with the policies adopted by the other entities in the combining entities, where necessary.

Non-controlling interests represent equity in the combining entities that are not attributable, directly or indirectly, to the common controlling shareholders, and is presented separately in the combined statements of profit or loss and other comprehensive income and within equity in the combined statements of financial position, separately from equity attributable to the common controlling shareholders. Profit or loss and each component of other comprehensive income are attributed to the common controlling shareholders and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiary companies are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate. Assets, liabilities, income and expenses of a subsidiary company disposed of during the financial year are included in the combined statements of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary company.

3. Significant Accounting Policies (Cont'd)

(a) Basis of consolidation (Cont'd)

Changes in the common controlling shareholders' interests in a combining entity that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the combining entity. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to the common controlling shareholders of the combining entities.

If the Group loses control of a subsidiary company, the profit or loss on disposal is calculated as the difference between:

(a) Aggregate of the fair value of the consideration received and the fair value of any retained interest; and

(b) Previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the combining entities are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former combining entities at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 *Financial Instruments: Recognition and Measurement* or, where applicable, the cost on initial recognition of an investment in associate or joint venture.

3. **Significant Accounting Policies (Cont'd)**

(b) **Business combinations not under common control**

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that:

(a) Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;

(b) Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement by the Group of an acquiree's share-based payment transactions are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and

(c) Assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration payable is recognised at fair value at the acquisition date. Measurement period adjustments to contingent consideration are dealt with as follows:

(a) If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity.

(b) Subsequent changes to contingent consideration classified as an asset or liability that is a financial instrument within the scope of MFRS 139 are recognised either in profit or loss or in other comprehensive income in accordance with MFRS 139. All other subsequent changes are recognised in profit or loss.

In a business combination achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

3. **Significant Accounting Policies (Cont'd)**

(b) **Business combinations not under common control (Cont'd)**

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the previously held equity interest of the Group in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the combined statement of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying value may be impaired. See accounting policy Note 3(j)(i) to the combined financial statements on impairment of non-financial assets.

(c) **Business combinations under common control**

Business combinations under common control in the form of equity instrument exchanges are accounted for by applying the merger method of accounting. Assets, liabilities, income and expenses of the merger entities are reflected at their carrying amounts reported in the individual financial statements for the full financial year, irrespective of the date of the merger. Any difference between the consideration paid and the share capital of the merger entity are reflected within equity as merger reserve.

(d) **Foreign currency translation**

Foreign currency transactions and balances

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

3. **Significant Accounting Policies (Cont'd)**

(e) **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The policy of recognition and measurement of impairment losses is in accordance with Note 3(j)(i) to the combined financial statements.

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property, plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

3. **Significant Accounting Policies (Cont'd)**

(e) **Property, plant and equipment (Cont'd)**

(iii) Depreciation

Depreciation is recognised in the profit or loss on reducing balance method to write off the cost of each asset to its residual value over its estimated useful life.

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Freehold buildings	50 years
Furniture, fittings and office equipment	10 – 20 years
Renovation	20 years
Motor vehicles	5 years

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the property, plant and equipment.

(f) **Intangible assets**

(i) Internally-generated intangible assets - research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- its intention to complete and its ability and intention to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete; and
- the ability to measure reliably the expenditure during development.

The amount initially recognised for internally–generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation methods are reviewed at the end of each reporting date, with the effect of any changes in estimate being accounted for on a prospective basis.

3. **Significant Accounting Policies (Cont'd)**

(f) **Intangible assets (Cont'd)**

(ii) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

See accounting policy Note 3(j)(i) to the combined financial statements on impairment of non-financial assets for intangible assets.

(g) **Financial assets**

Financial assets are recognised on the combined statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately in profit or loss.

The Group classifies its financial assets depends on the purpose for which the financial assets were acquired at initial recognition, into following categories:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, contingent consideration in a business combination or financial assets that are designated into this category upon initial recognition. A financial asset is classified in this category if it is acquired principally for the purpose of selling it in the near term. Derivatives, including separated embedded derivatives, are also categorised as held for trading unless they are designated as effective hedging instruments. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

After initial recognition, financial assets in this category are measured at fair value with any gains or losses arising from changes in the fair values recognised in profit or loss in the period in which the changes arise.

3. **Significant Accounting Policies (Cont'd)**

(g) **Financial assets (Cont'd)**

(i) Financial assets at fair value through profit or loss (Cont'd)

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those maturing later than 12 months after the end of the reporting period which are classified as non-current assets.

After initial recognition, financial assets categorised as loans and receivables are measured at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Regular way purchase or sale of financial assets

A *regular way purchase or sale* is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned. A regular way purchase or sale of financial assets is recognised and derecognised on the trade date i.e. the date that the Group and the Company commit to purchase or sell the asset.

Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

3. **Significant Accounting Policies (Cont'd)**

(h) **Financial liabilities (Cont'd)**

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of financial liabilities.

Financial liabilities are recognised on the combined statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

The Group classifies its financial liabilities at initial recognition, into the following categories:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, contingent consideration in a business combination or financial liabilities designated into this category upon initial recognition.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivatives financial instruments that are not designated as effective hedging instruments. Separated embedded derivatives are also categorised as held for trading unless they are designated as effective hedging instruments.

Gains or losses on financial liabilities held for trading are recognised in profit or loss.

(ii) Other financial liabilities measured at amortised cost

Financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Gains and losses on financial liabilities measured at amortised cost are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

3. **Significant Accounting Policies (Cont'd)**

(h) **Financial liabilities (Cont'd)**

Derecognition

A financial liability or part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(i) **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the combined statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(j) **Impairment of assets**

(i) Non-financial assets

The carrying amounts of non-financial assets (except for deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives, or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs of disposal. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

3. **Significant Accounting Policies (Cont'd)**

(j) **Impairment of assets (Cont'd)**

(i) Non-financial assets (Cont'd)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

(ii) Financial assets

All financial assets, other than those categorised as fair value through profit or loss, are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

Financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with defaults on receivables.

3. **Significant Accounting Policies (Cont'd)**

(j) **Impairment of assets (Cont'd)**

(ii) Financial assets (Cont'd)

Financial assets carried at amortised cost (Cont'd)

If any such evidence exists, the amount of impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in profit or loss. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised in profit or loss, the impairment loss is reversed, to the extent that the carrying amount of the asset does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of reversal is recognised in profit or loss.

(k) **Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of combined statements of cash flows, cash and cash equivalents are presented net of pledged deposits.

(l) **Share capital**

(i) Ordinary shares

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Ordinary shares are equity instrument. Ordinary shares are recorded at the nominal value of shares issued. Ordinary shares are classified as equity.

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Company's shareholders.

3. **Significant Accounting Policies (Cont'd)**

(l) **Share capital (Cont'd)**

(ii) Distribution of non-cash assets to owners of the Company

The distribution of non-cash assets to owners is recognised as dividend payable when the dividend was approved by shareholders. The dividend payable is measured at the fair value of the assets to be distributed. At the end of the reporting period and on the settlement date, the Group reviews the carrying amount of the dividend payable, with any changes in the fair value of the dividend payable recognised in equity. When the Group settles the dividend payable, the difference between the carrying amount of the dividend distributed and the carrying amount of the dividend payable is recognised as a separate line item in profit or loss.

(m) **Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

As lessee

Operating lease

Leases in which the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised in the combined statements of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3. **Significant Accounting Policies (Cont'd)**

(n) **Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the combining entites and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of computer hardware and software

Revenue is measured at the fair value of consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods.

(ii) Services rendered

Revenue from services rendered is recognised by reference to the stage of completion of the transaction at the reporting date.

(iii) Interest income

Interest income is recognised on accruals basis using the effective interest method.

(iv) Incentive income

Incentive income is recognised when the Group's right to receive payment is established.

(o) **Employee benefits**

(i) Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the reporting period in which the associated services are rendered by employees of the combining entities. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

3. **Significant Accounting Policies (Cont'd)**

(o) **Employee benefits (Cont'd)**

(ii) Defined contribution plans

As required by law, companies in Malaysia contribute to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

(p) **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets, which are assets that necessarily take a substantial period of time to get ready for theirs intended use or sale, are capitalised as part of the cost of those assets. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the combining entities incurred in connection with the borrowing of funds.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(q) **Income taxes**

Tax expense in profit or loss comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

3. **Significant Accounting Policies (Cont'd)**

(q) **Income taxes (Cont'd)**

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the combined statements of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

(r) **Operating segment**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

3. **Significant Accounting Policies (Cont'd)**

(s) **Fair value measurement**

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

(t) **Goods and Services Tax ("GST")**

Revenues, expenses and assets are recognised net of the amount of GST except:

(i) where the GST incurred in a purchase of assets or services are not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

(ii) Receivables and payables are recognised inclusive of GST.

The net amount of GST being the difference between output and input of GST, payable to or receivables from the authority at the reporting date, is included in other payables or other receivables in the combined statements of financial position.

4. Property, Plant and Equipment

	Freehold Buildings RM	Furniture, Fittings and Office Equipment RM	Renovation RM	Motor Vehicles RM	Total RM
Cost					
At 1 January 2015	7,496,291	587,538	629,434	376,089	9,089,352
Additions	1,500,000	7,725	-	-	1,507,725
At 31 December 2015	8,996,291	595,263	629,434	376,089	10,597,077
Additions	-	199,124	111,241	-	310,365
At 31 December 2016	8,996,291	794,387	740,675	376,089	10,907,442
Additions	-	129,639	135,300	322,467	587,406
Disposal	-	-	-	(367,546)	(367,546)
At 31 December 2017	8,996,291	924,026	875,975	331,010	11,127,302
Accumulated depreciation					
At 1 January 2015	1,959,762	265,360	331,314	251,904	2,808,340
Charge for the financial year	140,731	24,846	14,906	24,837	205,320
At 31 December 2015	2,100,493	290,206	346,220	276,741	3,013,660
Charge for the financial year	137,916	39,955	19,723	19,870	217,464
At 31 December 2016	2,238,409	330,161	365,943	296,611	3,231,124
Charge for the financial year	135,158	41,403	20,434	24,075	221,070
Disposal	-	-	-	(303,313)	(303,313)
At 31 December 2017	2,373,567	371,564	386,377	17,373	3,148,881
Carrying amount					
At 31 December 2015	6,895,798	305,057	283,214	99,348	7,583,417
At 31 December 2016	6,757,882	464,226	374,732	79,478	7,676,318
At 31 December 2017	6,622,724	552,462	489,598	313,637	7,978,421

4. **Property, Plant and Equipment (Cont'd)**

(a) The aggregate additional cost for the property, plant and equipment of the combining entities during the financial year acquired under finance leases and cash payments are as follows:

	2017	2016	2015
	RM	RM	RM
Aggregate costs	587,406	310,365	1,507,725
Less : Finance lease financing	(265,000)	-	-
Cash payments	322,406	310,365	1,507,725

(b) Assets held under finance leases

The carrying amount of property, plant and equipment of the combining entities held under finance leases are as follows:

	2017	2016	2015
	RM	RM	RM
Motor vehicles	77,080	-	-

The leased assets are pledged as security for the related finance lease liability as disclosed in Note 10 to the combined financial statements.

(c) Assets pledged as securities to licensed banks

The carrying amount of the property, plant and equipment of the combining entities pledged as securities for bank borrowings as disclosed in Note 11 to the combined financial statements are:

	2017	2016	2015
	RM	RM	RM
Freehold buildings	6,622,724	6,757,882	6,895,798

5. **Development Expenditures**

	2017 RM	2016 RM	2015 RM
Cost			
At 1 January	-	-	-
Additions during the year	85,844	-	-
At 31 December	85,844	-	-
Carrying amount			
At 31 December	85,844	-	-

Development expenditure represents the costs incurred in respect of development of MountainTop solutions. The expenditure is under development and are not amortised until the asset is ready for its intended use.

Impairment testing for development expenditure

The development expenditure of the combining entities was tested for impairment using the value-in-use ("VIU") method.

The recoverable amount of cash-generating units in respect of the development expenditure was determined based on VIU calculation. Cash flow projections used in these calculations were based on five-year financial budgets approved by management. Pre-tax discount rates of 6.85% (2016: Nil, 2015: Nil) have been applied to cash flow projections.

Based on impairment test, no impairment is required for the product development expenditure.

6. **Trade Receivables**

	2017 RM	2016 RM	2015 RM
Trade receivables	9,105,196	8,546,139	6,616,285
Less: Accumulated impairment losses	(10,000)	(483,436)	(331,004)
	9,095,196	8,062,703	6,285,281

Trade receivables are non-interest bearing and are generally on 30 days (2016: 30 days, 2015: 30 days) term. Other credit terms are assessed and approved on a case to case basis. They are recognised at their original invoice amounts which represent their fair values on intial recognition.

6. **Trade Receivables (Cont'd)**

Movements in the allowance for impairment losses of trade receivables of the combining entities are as follows:

	2017 RM	2016 RM	2015 RM
At 1 January	483,436	331,004	331,004
Impairment losses recognised	-	152,432	-
Written off	(452,051)	-	-
Reversal	(21,385)	-	-
At 31 December	10,000	483,436	331,004

Analysis of the trade receivables ageing of the combining entities as at the end of the reporting year are as follows:

	2017 RM	2016 RM	2015 RM
Neither past due nor impaired	6,772,007	6,562,181	4,410,549
Past due but not impaired:			
Less than 30 days	1,011,721	579,337	1,020,532
31 to 60 days	391,987	481,671	290,949
61 to 90 days	184,882	69,389	39,937
More than 90 days	734,599	370,125	523,314
	2,323,189	1,500,522	1,874,732
	9,095,196	8,062,703	6,285,281
Impaired	10,000	483,436	331,004
	9,105,196	8,546,139	6,616,285

Trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the combining entities.

As at 31 December 2017, trade receivables of RM2,323,189 (2016: RM1,500,522, 2015: RM1,874,732) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default.

The trade receivables of the combining entities that are individually assessed to be impaired amounting to RM10,000 (2016: RM483,436, 2015: RM331,004), related to customers that are in financial difficulties, have defaulted on payments or have disputed on the billings. This balance is expected to be recovered through the debts recovery process.

7. **Other Receivables**

	2017 RM	2016 RM	2015 RM
Other receivables	40,702	5,522,241	4,913,255
Deposit refundable	139,622	96,337	95,431
Prepayments	316,974	29,041	261,582
Deferred expense	161,315	3,014,857	126,599
	658,613	8,662,476	5,396,867

Included in other receivables of the combining entities is an amount of RMNil (2016: RM5,161,163, 2015: RM4,590,276) due from companies in which Directors of the combining entities have substantial financial interests. This amount is unsecured, non-interest bearing and is repayable on demand.

8. **Share Capital**

	Number of Shares			Amount		
	2017 Units	2016 Units	2015 Units	2017 RM	2016 RM	2015 RM
Authorised:						
Ordinary shares with no par value (2016, 2015: par value of RM1.00 each)						
At 1 January/ 31 December	*	100,000	100,000	*	100,000	100,000
Issued and fully paid shares						
At 1 January	2	2	2	2	2	2
Issuance of ordinary shares	116,499,998	-	-	5,825,000	-	-
At 31 December	116,500,000	2	2	5,825,002	2	2

* The new Companies Act, 2016, which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. There is no impact on the numbers of ordinary shares in issues to the relative entitlement of any of the members as a result of this transition.

8. **Share Capital (Cont'd)**

During the financial year, the Company increased its ordinary shares from RM2 to RM5,825,002 by way of the issuance of 116,499,998 ordinary shares at an issue price of RM0.05 as consideration for the acquisition of the entire share capital of SL Information System Sdn. Bhd. and SL Information Solutions Sdn. Bhd..

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

9. **Merger Reserve**

	2017 RM	**2016 RM**	**2015 RM**
At 1 January	2,000,000	2,000,000	2,000,000
Additions arising from merger of subsidiary companies	(5,825,000)	-	-
At 31 December	(3,825,000)	2,000,000	2,000,000

The difference between the issued equity of the Company and issued equity of SL Information System Sdn. Bhd. and SL Information Solutions Sdn. Bhd., the accounting acquirer, was recorded as reverse acquisition debit of RM3,825,000.

10. **Finance Lease Liabilities**

	2017 RM	**2016 RM**	**2015 RM**
Minimum lease payments			
Within one year	59,208	-	-
Later than one year and not later than two years	59,208	-	-
Later than two years and not later than five years	172,655	-	-
	291,071	-	-
Less: Future finance charges	(29,988)	-	-
Present value of minimum lease payments	261,083	-	-

10. **Finance Lease Liabilities (Cont'd)**

	2017 RM	2016 RM	2015 RM
Present value of minimum lease payments			
Within one year	48,331	-	-
Later than one year and not later than two years	50,771	-	-
Later than two years and not later than five years	161,981	-	-
	261,083	-	-
Analysed as:			
Repayable within twelve months	48,331	-	-
Repayable after twelve months	212,752	-	-
	261,083	-	-

Obligations under finance leases

These obligations are secured by a charge over the leased assets as disclosed in Note 4(b) to the combined financial statements. The effective interest rate for the leases is range from 2.34% (2016: Nil, 2015: Nil) per annum.

11. **Bank Borrowings**

	2017 RM	2016 RM	2015 RM
Current			
Secured			
Bank overdrafts	-	1,148,002	309,238
Term loans	37,142	547,325	512,049
	37,142	1,695,327	821,287
Non-Current			
Secured			
Term loans	1,009,300	1,070,861	1,614,878
	1,046,442	2,766,188	2,436,165

The bank overdrafts and term loans are secured by the following:

(i) Legal charge over freehold buildings as disclosed in Note 4;
(ii) Fixed and floating charges over assets of SL Information System Sdn. Bhd.; and
(iii) Guaranteed by a Director of the combining entities.

11. **Bank Borrowings (Cont'd)**

The interest rate of the combining entities for the above credit facilities as at reporting date are as follows:

	2017 %	2016 %	2015 %
Bank overdrafts	-	8.35%	8.35%
Term loans	4.65% to 6.85%	4.65% to 6.85%	4.65% to 6.85%

The maturity of bank borrowings of the combining entities are as follows:

	2017 RM	2016 RM	2015 RM
Within one year	37,142	1,695,327	821,287
Later than one year and not later than two years	38,861	65,053	547,454
Later than two years and not later than five years	128,014	122,730	146,931
Later than five years	842,425	883,078	920,493
	1,046,442	2,766,188	2,436,165

12. **Deferred Tax Liabilities**

	2017 RM	2016 RM	2015 RM
At 1 January	56,583	55,699	45,782
Recognised in profit or loss	16,201	884	9,917
At 31 December	72,784	56,583	55,699

The net deferred tax assets and liabilities shown on the combined statements of financial position after appropriate offsetting are as follows:

	2017 RM	2016 RM	2015 RM
Deferred tax assets	-	(5,545)	(2,251)
Deferred tax liabilities	72,784	62,128	57,950
	72,784	56,583	55,699

12. Deferred Tax Liabilities (Cont'd)

The components and movements of deferred tax assets and liabilities are as follows:

	Unutilised tax losses RM	Other temporary differences RM	Total RM
Deferred tax assets			
At 1 January 2015/31 December 2015	-	(2,251)	(2,251)
At 1 January 2016	-	(2,251)	(2,251)
Recognised in profit or loss	(2,688)	(606)	(3,294)
At 31 December 2016	(2,688)	(2,857)	(5,545)
At 1 January 2017	(2,688)	(2,857)	(5,545)
Recognised in profit or loss	2,688	2,857	5,545
At 31 December 2017	-	-	-

	Accelerated capital allowances RM
Deferred tax liabilities	
At 1 January 2015	48,033
Recognised in profit or loss	9,917
At 31 December 2015	57,950
At 1 January 2016	57,950
Recognised in profit or loss	4,178
At 31 December 2016	62,128
At 1 January 2017	62,128
Recognised in profit or loss	10,656
At 31 December 2017	72,784

13. Trade Payables

The normal trade credit terms granted to the combining entities is 30 to 90 days (2016: 30 to 90 days, 2015: 30 to 90 days). Other credit terms are assessed and approved on a case to case basis.

14. Other Payables

	2017 RM	2016 RM	2015 RM
Other payables	123,835	159,624	366,749
Accruals	2,786,309	2,877,255	2,348,343
Deposits received	53,940	53,940	31,440
Deferred revenue	1,009,245	5,210,607	625,902
GST payable	453,430	142,726	190,672
	4,426,759	8,444,152	3,563,106

Deferred revenue represents cash received from customers in advance of the delivery of goods or the performance of services. Such amounts are only recognised in profit or loss when the significant risks and rewards of the ownership of the goods have been passed to the customers or upon the rendering of services to customers.

15. Revenue

	2017 RM	2016 RM	2015 RM
Sales of computer hardware and software	19,770,642	17,547,401	13,669,041
Maintenance and services rendered	15,966,193	13,793,100	16,271,516
	35,736,835	31,340,501	29,940,557

16. Finance Costs

	2017 RM	2016 RM	2015 RM
Interest expense on:			
- Bank overdrafts	9,296	514	669
- Finance lease	1,017	-	780
- Term loans	72,981	104,113	99,727
	83,294	104,627	101,176

17. Profit Before Taxation

Profit before taxation is determined after charging/(crediting):

	2017 RM	2016 RM	2015 RM
Auditors' remuneration:			
- Statutory audit:			
- current year	60,000	43,000	43,000
- (under)/over provision in prior years	-	(2,210)	360
Bad debt written off	-	40,199	-
Depreciation of property, plant and equipment	221,070	217,464	205,320
Gain on disposal of property, plant and equipment	(22,087)	-	-
Gain on foreign exchange:			
- Realised	(27,217)	(116,236)	(317)
- Unrealised	(1,967)	(16,671)	(17,863)
Impairment loss on trade receivables	-	152,432	-
Incentive income	(216,676)	(213,056)	(85,395)
Interest income	(295)	(195)	(81)
Loss on foreign exchange:			
- Realised	1,345	-	194,064
- Unrealised	8,258	7,767	-
Rental of office equipment	170,438	187,701	152,993
Rental of premises	175,500	102,000	102,000
Reversal of impairment losses on trade receivables	(21,385)	-	-
Office rental income	(101,568)	(124,800)	(124,800)

18. Taxation

	2017 RM	2016 RM	2015 RM
Tax expenses recognised in profit or loss:			
Malaysian statutory tax:			
- Current tax provision	1,315,654	949,552	97,889
- Under provision in prior years	1,110	2,620	-
	1,316,764	952,172	97,889
Deferred tax (Note 12):			
- Relating to origination and reversal of temporary differences	16,628	884	626
- (Over)/Under provision in prior years	(427)	-	9,291
	16,201	884	9,917
	1,332,965	953,056	107,806

Malaysian income tax is calculated at the statutory tax rate of 24% (2016:24%, 2015: 25%) of the estimated assessable profit for the financial year.

With effect from 1 January 2016, the tax rate of the Company has been reduced from 25% to 24% due to a change in Malaysian corporate tax rate where amendments were made pursuant to the Malaysian Budget 2014.

With effect from 1 January 2017, due to a change in the Malaysian corporate income tax rate that was announced during the Malaysian Budget 2017, tax rate of the Company has been reduced from 19% to 18% on chargeable income up to RM500,000 and the tax rate on subsequent chargeable income has been reduced by 1% to 4% from 24% based on the percentage increase in the chargeable income of a company compared to the chargeable income for the immediate preceding period.

18. Taxation (Cont'd)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective tax rate of the combining entities is as follows:

	2017 RM	2016 RM	2015 RM
Profit before taxation	5,536,174	3,123,588	3,611,950
Taxation at statutory tax rate of 24% (2016: 24%, 2015: 25%)	1,328,682	749,661	902,988
Tax incentive obtained from differential tax rate of 18% (2016: 19%, 2015: 20%)	(90,000)	(49,293)	(25,128)
Income exempted under pioneer status incentive	-	66,969	(820,806)
Income not subject to tax	(796,356)	(7,708)	(4,466)
Deferred tax assets not recognised	-	-	(1,040)
Expenses not deductible for tax purposes	889,956	190,807	46,967
(Over)/Under provision of deferred tax in prior years	(427)	-	9,291
Under provision of taxation in prior years	1,110	2,620	-
	1,332,965	953,056	107,806

The statutory income for SL Information Solutions Sdn. Bhd. was exempted from tax for a period of 5 years since 1 July 2011 as the entity was granted the "Pioneer Status" for services under the Promotion of Investments Act, 1986.

19. Staff Costs

	2017 RM	2016 RM	2015 RM
Salaries, wages and other emoluments	8,928,261	10,200,232	10,419,523
Defined contribution plans	1,355,704	1,280,404	1,080,328
Other benefits	259,135	204,619	232,326
	10,543,100	11,685,255	11,732,177

19. **Staff Costs (Cont'd)**

Included in staff costs is aggregate amount of remuneration received by the Executive Directors of the combining entities during the financial year as below:

	2017 RM	2016 RM	2015 RM
Executive Directors			
Salaries, wages and other emoluments	1,117,854	970,130	1,485,097
Defined contribution plans	200,122	171,647	169,548
	1,317,976	1,141,777	1,654,645

20. **Earnings per Ordinary Share**

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to owners of the Company by the number of ordinary shares of the Company as at the end of the reporting period.

	2017 RM	2016 RM	2015 RM
Profit for the financial year attributable to owners of the Company	4,203,209	2,170,532	3,504,144
Number of ordinary shares of the Company as at the end of the reporting period	116,500,000	2	2
Basic earnings per ordinary share (sen)	4	108,526,600	175,207,200

(b) Diluted

Diluted earnings per ordinary share equals basic earnings per ordinary share because there are no potentially dilutive instruments in existence as at the end of each reporting period.

21. Dividends

	2017 RM	2016 RM	2015 RM
Dividends recognised as distribution to ordinary shareholders of the combining entities:			
Interim dividend paid in respect of the financial year ended:			
- 31 December 2015 (single-tier dividend of RM1.00 per ordinary share)	-	-	2,000,000
- 31 December 2016 (single-tier dividend of RM1.00 per ordinary share)	-	2,000,000	-
- 31 December 2017 (single-tier dividend of RM1.75 per ordinary share)	3,500,000	-	-
- 31 December 2017 (single-tier dividend of RM1.50 per ordinary share)	3,000,000	-	-
	6,500,000	2,000,000	2,000,000

The Directors do not recommend the payment of a final dividend for the current financial year.

22. Reconciliation of Liabilities arising from Financing Activities

The table below details changes in the liabilities of the combining entities arising from financing activities, including both cash and non-cash changes:

	At 1 January 2017 RM	New finance lease Note 4(a) RM	Payment RM	Others (i) RM	Dividends declared RM	At 31 December 2017 RM
Finance lease liabilities (Note 10)	-	265,000	(3,917)	-	-	261,083
Term loan (Note 11)	1,618,186	-	(571,744)	-	-	1,046,442
Dividends paid	-	-	(3,506,214)	(2,993,786)	6,500,000	-
	1,618,186	265,000	(4,081,875)	(2,993,786)	6,500,000	1,307,525

(i) Others represent amount set off against other receivables.

23. Commitment

Capital expenditure

	2017 RM	2016 RM	2015 RM
Authorised but not contracted for:			
- Property, plant and equipment	-	243,600	275,755

Operating lease commitments – as lessee

At the end of the reporting period, the future minimum lease payments under non-cancellable operating leases are:

	2017 RM	2016 RM	2015 RM
Within one year	159,680	94,274	119,677
Later than one year but not later than five years	84,098	105,814	3,576
	243,778	200,088	123,253

Operating lease payments represent mainly rentals payable by the combining entities for their office equipment. Leases are negotiated for an average tenure of between 1 to 3 years (2016: 1 to 3 years, 2015: 1 to 2 years).

24. Related Party Disclosure

(a) Identifying related parties

For the purposes of these combined financial statements, parties are considered to be related to the combining entities if the combining entities have the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where combining entities and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the combining entities either directly or indirectly. The key management personnel comprise the Directors and management personnels of the combining entities.

24. **Related Party Disclosure (Cont'd)**

(b) Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to the related party balances as disclosed elsewhere in the combined financial statements, the significant related party transactions of the combining entities during the reporting periods are as follows:

	2017 RM	2016 RM	2015 RM
Transaction with a company in which certain Directors of the combining entities have substantial financial interests			
Rental of premises	49,500	66,000	66,000

(c) Compensation of key management personnel:

Remuneration of Directors and other members of key management are as follows:

	2017 RM	2016 RM	2015 RM
Salaries, wages and other emoluments	2,216,702	2,568,012	3,016,578
Defined contribution plans	366,083	444,662	386,577
	2,582,785	3,012,674	3,403,155

25. Operating Segment

The Group has three reportable segments, as described below, which are the combining entities' strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Executive Director reviews internal management reports on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

(a) IT infrastructure technology solutions - provision of hardware, system software, network resources and related accessories required in the operation and management of an enterprise's IT environment.

(b) Enterprise software solutions – business process management software.

(c) Others – providing management services.

There are varying levels of integration between the segments. Inter-segment pricing is determined on negotiated basis.

Executive Director monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit after taxation and is measured consistently with profit or loss in the combined financial statements.

<u>Segment assets and liabilities</u>

Segment assets and liabilities information is not presented regularly to the Executive Director and hence, no disclosure is made on the segment assets and liabilities.

25. Operating Segment (Cont'd)

	IT infrastructure technology solutions RM	Enterprise software solutions RM	Others RM	Total segments RM	Eliminations RM	Per combined financial statements RM
2017						
Revenue						
External customers	17,305,325	18,431,510	-	35,736,835	-	35,736,835
Inter-segment	-	-	4,320,000	4,320,000	(4,320,000) (a)	-
Total revenue	17,305,325	18,431,510	4,320,000	40,056,835	(4,320,000)	35,736,835
Results						
Interest income	295	-	-	295	-	295
Finance costs	(83,294)	-	-	(83,294)	-	(83,294)
Gain on disposal of property, plant and equipment	(22,087)	-	-	(22,087)	-	(22,087)
Depreciation of property, plant and equipment	(197,282)	(23,788)	-	(221,070)	-	(221,070)
Unrealised gain on foreign exchange	(1,967)	-	-	(1,967)	-	(1,967)
Unrealised loss on foreign exchange	1,429	6,829	-	8,258	-	8,258
Taxation	(674,915)	(280,829)	2,688	(953,056)	-	(953,056)
Segment profit/(loss) after taxation	(1,174,020)	9,057,002	(3,679,773)	4,203,209	-	4,203,209
Other disclosure						
Additions to property, plant and equipment	576,144	11,262	-	587,406	-	587,406

25. Operating Segment (Cont'd)

	IT infrastructure technology solutions RM	Enterprise software solutions RM	Others RM	Total segments RM	Eliminations RM	Per combined financial statements RM
2016						
Revenue						
External customers	17,279,934	14,060,567	-	31,340,501	-	31,340,501
Inter-segment	-	-	3,000,000	3,000,000	(3,000,000) (a)	-
Total revenue	17,279,934	14,060,567	3,000,000	34,340,501	(3,000,000)	31,340,501
Results						
Interest income	195	-	-	195	-	195
Finance costs	(104,420)	(207)	-	(104,627)	-	(104,627)
Bad debt written off	(40,199)	-	-	(40,199)	-	(40,199)
Depreciation of property, plant and equipment	(192,594)	(24,870)	-	(217,464)	-	(217,464)
Impairment loss on trade receivables	(44,847)	(107,585)	-	(152,432)	-	(152,432)
Unrealised gain on foreign exchange	12,535	(4,136)	-	8,399	-	8,399
Unrealised loss on foreign exchange	(7,767)	-	-	(7,767)	-	(7,767)
Segment profit/(loss) after taxation	1,173,163	4,009,872	(3,012,503)	2,170,532	-	2,170,532
Other disclosure						
Additions to property, plant and equipment	28,690	281,675	-	310,365	-	310,365

25. Operating Segment (Cont'd)

	IT infrastructure technology solutions RM	Enterprise software solutions RM	Others RM	Total segments RM	Eliminations RM	Per combined financial statements RM
2015						
Revenue						
External customers	11,838,617	18,101,940	-	29,940,557	-	29,940,557
Inter-segment	-	-	1,500,000	1,500,000	(1,500,000) (a)	-
Total revenue	11,838,617	18,101,940	1,500,000	31,440,557	(1,500,000)	29,940,557
Results						
Interest income	81	-	-	81	-	81
Finance costs	(101,176)	-	-	(101,176)	-	(101,176)
Depreciation of property, plant and equipment	(194,517)	(10,803)	-	(205,320)	-	(205,320)
Unrealised gain on foreign exchange	17,863	-	-	17,863	-	17,863
Segment profit/(loss) after taxation	(293,769)	5,290,230	(1,492,317)	3,504,144	-	3,504,144
Other disclosure						
Additions to property, plant and equipment	1,507,725	-	-	1,507,725	-	1,507,725

25. **Operating Segment (Cont'd)**

(a) Adjustments and eliminations

Inter-segment revenues are eliminated on consolidation.

(b) Geographical information

	Revenue		
	2017	**2016**	**2015**
	RM	**RM**	**RM**
Malaysia	35,154,142	30,899,657	29,247,607
Philippines	-	2,714	60,815
Singapore	405,869	438,130	632,135
China	176,824	-	-
	35,736,835	31,340,501	29,940,557

Segment revenue is based on geographical location of customers.

<u>Major customers</u>

Revenue from Nil (2016: Nil, 2015: 1) major customers amounting to Nil (2016: Nil, 2015: RM3,360,106 arising from IT infrastructure technology solutions segment).

26. **Financial Instruments**

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.

The following table analyses the financial assets and financial liabilities in the combined statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Loans and receivables RM	Financial liabilities measured at amortised cost RM	Total carrying amount RM
2017			
Financial Assets			
Trade receivables	9,095,196	-	9,095,196
Other receivables	180,324	-	180,324
Cash and bank balances	2,429,619	-	2,429,619
	11,705,139	-	11,705,139
Financial Liabilities			
Trade payables	-	4,197,842	4,197,842
Other payables	-	2,964,084	2,964,084
Bank borrowings	-	1,046,442	1,046,442
	-	8,208,368	8,208,368
2016			
Financial Assets			
Trade receivables	8,062,703	-	8,062,703
Other receivables	5,618,578	-	5,618,578
Cash and bank balances	2,791,569	-	2,791,569
	16,472,850	-	16,472,850
Financial Liabilities			
Trade payables	-	3,823,659	3,823,659
Other payables	-	3,090,819	3,090,819
Bank borrowings	-	2,766,188	2,766,188
	-	9,680,666	9,680,666

26. **Financial Instruments (Cont'd)**

(a) Classification of financial instruments(Cont'd)

	Loans and receivables RM	Financial liabilities measured at amortised cost RM	Total carrying amount RM
2015			
Financial Assets			
Trade receivables	6,285,281	-	6,285,281
Other receivables	5,008,686	-	5,008,686
Cash and bank balances	1,425,046	-	1,425,046
	12,719,013	-	12,719,013
Financial Liabilities			
Trade payables	-	3,238,943	3,238,943
Other payables	-	2,746,532	2,746,532
Bank borrowings	-	2,436,165	2,436,165
	-	8,421,640	8,421,640

(b) Financial risk management objectives and policies

The combining entities' financial risk management policy is to ensure that adequate financial resources are available for the development of the combining entities' operations whilst managing their credit, liquidity, foreign currency and interest rate risks. The combining entities operate within clearly defined guidelines that are approved by the Board and the combining entities' policy is not to engage in speculative transactions.

The following sections provide details regarding the combining entities' exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit risk

Credit risk is the risk of a financial loss to the combining entities if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The combining entities' exposure to credit risk arises principally from its receivables from customers and deposits with licensed banks.

26. **Financial Instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(i) Credit risk (Cont'd)

The combining entities have adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with licensed banks with good credit rating. The exposure to credit risk is monitored on an ongoing basis and actions will be taken for long outstanding debts.

The carrying amounts of the financial assets recorded on the combined statements of financial position at the end of each reporting period represents the combining entities' maximum exposure to credit risk.

As at 31 December 2017, the combining entities' credit risk exposures are concentrated mainly on 1 (2016: 2, 2015: 1) debtors, which accounted for 14% (2016: 33%, 2015: 23%) of the combining entities' overall trade receivables.

(ii) Liquidity risk

Liquidity risk refers to the risk that the combining entities will encounter difficulty in meeting their financial obligations as they fall due. The combining entities' exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The combining entities' funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The combining entities finances their liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

26. **Financial Instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

The following table analyses the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the combining entities can be required to pay.

	On demand or within 1 year RM	**1 to 2 years RM**	**2 to 5 years RM**	**After 5 years RM**	**Total contractual cash flows RM**	**Total carrying amount RM**
2017						
Non-derivative financial liabilities						
Trade payables	4,197,842	-	-	-	4,197,842	4,197,842
Other payables	2,964,084	-	-	-	2,964,084	2,964,084
Finance lease liabilities	59,208	59,208	172,655	-	291,071	261,083
Bank borrowings	84,972	84,972	254,916	1,090,474	1,515,334	1,046,442
	7,306,106	144,180	427,571	1,090,474	8,968,331	8,469,451

	On demand or within 1 year RM	**1 to 2 years RM**	**2 to 5 years RM**	**After 5 years RM**	**Total contractual cash flows RM**	**Total carrying amount RM**
2016						
Non-derivative financial liabilities						
Trade payables	3,823,659	-	-	-	3,823,659	3,823,659
Other payables	3,090,819	-	-	-	3,090,819	3,090,819
Bank borrowings	1,765,822	84,972	254,916	1,175,446	3,281,156	2,766,188
	8,680,300	84,972	254,916	1,175,446	10,195,634	9,680,666

26. **Financial Instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	After 5 years RM	Total contractual cash flows RM	Total carrying amount RM
2015						
Non-derivative financial liabilities						
Trade payables	3,238,943	-	-	-	3,238,943	3,238,943
Other payables	2,746,532	-	-	-	2,746,532	2,746,532
Bank borrowings	927,058	617,820	254,916	1,260,418	3,060,212	2,436,165
	6,912,533	617,820	254,916	1,260,418	9,045,687	8,421,640

26. **Financial Instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks

(a) Foreign currency risk

Foreign currency risk occurs as a result of the combining entities' transactions that are not denominated in the combining entities' functional currencies. These transactions arise from the combining entities' ordinary course of business. The combining entities' foreign currency exposure arises mainly from United States dollar ("USD") and Singapore dollar ("SGD").

The combining entities use foreign currency option contracts to hedge its foreign currency risk from time to time. All of the foreign currency option contracts have maturities of less than one year after the end of the reporting period.

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective combining entities' functional currencies are as follows:

	Denominated in	
	USD	**SGD**
	RM	**RM**
2017		
Trade receivables	180,624	-
Cash and bank balances	53,663	-
Trade payables	(10,650)	-
Other payables	(249,259)	(3,017)
	(25,622)	(3,017)
2016		
Trade receivables	255,845	-
Cash and bank balances	59,148	-
Trade payables	(117,753)	(62,995)
	197,240	(62,995)
2015		
Trade receivables	90,818	-
Cash and bank balances	352,994	-
Trade payables	(86,649)	(28,020)
	357,163	(28,020)

26. **Financial Instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

(a) Foreign currency risk (Cont'd)

Foreign currency sensitivity analysis

The sensitivity rate used when reporting foreign currency risk internally to key management personnel is 10%, which is the change in foreign exchange rate that management deems reasonably possible which will affect outstanding foreign currency denominated monetary items at the end of the reporting period.

The following table demonstrates the sensitivity of the combining entities' profit before tax for the financial year to a reasonably possible change in the USD and SGD exchange rates against the functional currencies of the combining entities, with all other variables held constant.

	Change in currency rate	2017 Effect on profit before tax RM	2016 Effect on profit before tax RM	2015 Effect on profit before tax RM
USD	Strengthened by 10%	(2,562)	19,724	35,716
	Weakened by 10%	2,562	(19,724)	(35,716)
SGD	Strengthened by 10%	(302)	(6,300)	(2,802)
	Weakened by 10%	302	6,300	2,802

(b) Interest rate risk

The combining entities' variable rate borrowings that are exposed to a risk of change in cash flows due to changes in market interest rates.

26. **Financial Instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

(b) Interest rate risk (Cont'd)

The combining entities manage their interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The combining entities constantly monitor their interest rate risk by reviewing their debt portfolio to ensure favourable rates are obtained. The combining entities do not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

The interest rate profile of the combining entities' significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	2017 RM	2016 RM	2015 RM
Fixed rate instruments			
Financial liability			
Finance lease liabilities	261,083	-	-
Floating rate instruments			
Financial liabilities			
Bank overdraft	-	1,148,002	309,238
Term loans	1,046,442	1,618,186	2,126,927
	1,046,442	2,766,188	2,436,165

Fair value sensitivity analysis for fixed rate instruments

The combining entities do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in market interest rates at the end of the reporting period would not affect profit or loss.

26. **Financial Instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

(b) Interest rate risk (Cont'd)

Cash flow sensitivity analysis for floating rate instruments

A change in 1% interest rate at the end of the reporting period would have increased/(decreased) the combining entities' profit before tax by RM10,464 (2016: RM27,662, 2015: RM24,362) respectively, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(c) Fair value of financial instruments

The carrying amounts of short term receivables and payables, cash and cash equivalents and short term borrowings approximate their fair value due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

The table below analyses financial instruments not carried at fair value for which fair value is disclosed, together with carrying amounts shown in the combined statements of financial position.

	Fair value of financial instruments not carried at fair value			
	Level 1 RM	**Level 2 RM**	**Level 3 RM**	**Carrying amount RM**
2017				
Financial liability				
Finance lease liabilities	-	231,863	-	212,752

27. Capital Management

The combining entities' objectives when managing capital are to safeguard the combining entities' ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The combining entities monitor capital using a gearing ratio. Capital represents total equity of the combining entities. The combining entities' policy is to maintain a prudent level of gearing ratio. The gearing ratio at end of the reporting periods are as follows:

	2017 **RM**	**2016** **RM**	**2015** **RM**
Bank borrowings	1,046,442	2,766,188	2,436,165
Less: Cash and bank balances	(2,429,619)	(2,791,569)	(1,425,046)
(Excess cash and bank balances)/net debt	(1,383,177)	(25,381)	1,011,119
Total equity	9,385,140	11,681,931	11,511,399
Gearing ratio	#	#	9%

the combining entities were in net positive cash position.

There were no changes in the objectives, policies or processes throughout the reporting periods.

The combining entities are not subject to any external imposed capital requirements.

28. Combining Entities

Details of combining entities are as follows:

Name of combining entities	Country of incorporation	Effective interest 2017 %	2016 %	2015 %	Principal activities
SL Information Berhad	Malaysia	100	100	100	Providing management services
Subsidiary companies of SL Information Berhad					
SL Information System Sdn. Bhd.	Malaysia	100	100	100	Dealing in computer hardware, software development and sales of computer software
SL Information Solutions Sdn. Bhd.	Malaysia	100	100	100	Development and marketing of computer hardware and software and its related maintenance services rendered

29. Significant Event

Prior to corporate restructuring, SL Information Solutions Sdn. Bhd. ("SL Solutions") is a wholly-owned subsidiary company of SL Information System Sdn. Bhd. ("SL System").

On 15 November 2017, a group of companies comprising SL Information Berhad ("SL Information"), SL System and SL Solutions had been formed after the corporate restructuring as disclosed in Note 28 to the combined financial statements.

The corporate restructuring had been completed through the acquisition of 100% equity interests of SL System and SL Solutions for the total purchase consideration of RM2,527,901 and RM3,297,099 respectively by the Company, which was satisfied in full by the issuance of 116,499,998 new ordinary shares of the Company. Consequently, SL System and SL Solutions became wholly-owned subsidiary companies of the Company.

30. Date of Authorisation for Issue

The combined financial statements for the financial year ended 31 December 2015, 31 December 2016 and 31 December 2017 were authorised for issue by the Board of Directors in accordance with a resolution of Directors on 10 April 2018.

SL INFORMATION BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

We, the undersigned, being the Directors of the Company, do hereby state that, in the opinion of the Directors, the accompanying combined financial statements set out on pages 5 to 70 are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group as at 31 December 2015, 31 December 2016 and 31 December 2017, and of its financial performance and cash flows for the financial years then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 10 APR 2018

SOON SENG TECK

SIM BOON KER

KUALA LUMPUR