HCL TECHNOLOGIES (TAIWAN) LTD.

FINANCIAL STATEMENTS

With Independent Auditor's Report Thereon
For the Years Ended March 31, 2021 and 2020

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Independent Auditor's Report

To the Board of Directors of
HCL TECHNOLOGIES (TAIWAN) LTD.:

Opinion

We have audited the financial statements of HCL TECHNOLOGIES (TAIWAN) Ltd. (the "Company"), which comprise the balance sheet as of March 31, 2021 and 2020, and the statements of comprehensive income, changes in equity and cash flows for the years ended March 31, 2021 and 2020, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the related financial accounting standards of the Business Entity Accounting Act and of the Regulation on Business Entity Accounting Handling, as well as Enterprise Accounting Standards and their related Interpretations announced by the Accounting Research and Development Foundation of the Republic of China.

Basis for opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the related financial accounting standards of the Business Entity Accounting Act and of the Regulation on Business Entity Accounting Handling, as well as Enterprise Accounting Standards and their related Interpretations announced by the Accounting Research and Development Foundation of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 the auditing standards generally accepted in the Republic of China 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 these financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, 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, misrepresentations, or the override of internal control.

2. 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 Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We communicate with those charged with governance 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.

The engagement partner on the audit resulting in this independent auditor report is Yu-Feng Hsu.

KPMG

KPMG
Taipei, Taiwan (Republic of China)
July 16, 2021

HCL TECHNOLOGIES (TAIWAN) LTD.

Balance Sheets

March 31, 2021 and 2020

(Amounts Expressed in New Taiwan Dollars)

Assets	March 31, 2021 Amount	%	March 31, 2020 Amount	%
Current assets:				
Cash and cash equivalents (note 5 (a))	$ 49,870,467	47	67,982,688	57
Trade receivables (note 5 (b))	17,221,024	16	26,826,732	22
Trade receivables from related parties (notes 5 (b) and 6)	16,628,564	15	9,308,345	8
Other receivables	5,454,363	5	4,067,070	4
Lease receivable, current (note 5 (c))	9,604,985	9	4,791,376	4
Prepayments	224,712	-	507,101	-
Other current assets	81,890	-	23,760	-
Total current assets	99,086,005	92	113,507,072	95
Non-current assets:				
Property, plant and equipment (note 5 (d))	1,535,662	1	421,458	-
Lease receivable, non-current (note 5 (c))	5,969,938	6	4,920,869	4
Deferred tax assets (note 5 (f))	-	-	87,047	-
Other non-current assets	596,101	1	468,033	1
Total non-current assets	8,101,701	8	5,897,407	5
Assets	**$ 107,187,706**	**100**	**119,404,479**	**100**

Liabilities and Equity	March 31, 2021 Amount	%	March 31, 2020 Amount	%
Current liabilities:				
Trade payables	$ 1,916,499	2	3,547,465	3
Trade payables to related parties (note 6)	24,138,264	23	18,114,506	15
Current tax liabilities	1,165,766	1	2,053,150	2
Other payables	9,784,331	9	10,985,503	9
Other payables to related parties (note 6)	37,525,727	35	61,625,722	52
Total current liabilities	74,530,587	70	96,326,346	81
Non-current liabilities:				
Deferred tax liabilities (note 5 (f))	525,399	-	-	-
Other non-current liabilities	83,531	-	-	-
Total non-current liabilities	608,930	-	-	-
Total liabilities	75,139,517	70	96,326,346	81
Equity (note 5 (g)):				
Ordinary shares	11,000,000	10	11,000,000	9
Legal reserve	1,207,813	1	327,593	-
Unappropriated retained earnings	19,840,376	19	11,750,540	10
Total equity	32,048,189	30	23,078,133	19
Total liabilities and equity	**$ 107,187,706**	**100**	**119,404,479**	**100**

See accompanying notes to financial statements.

HCL TECHNOLOGIES (TAIWAN) LTD.
Statements of Comprehensive Income
For the fiscal years ended March 31, 2021 and 2020
(Amounts Expressed in New Taiwan Dollars)

	For the years ended March 31,			
	2021		2020	
	Amount	%	Amount	%
Operating revenues (note 5(h) and 6)	$ 85,749,880	100	105,039,082	100
Operating costs (note 6 and 9)	73,923,020	86	91,622,136	88
Gross profit from operations	11,826,860	14	13,416,946	12
Operating expenses (note 5(b) and (d))	4,894,590	6	2,101,094	2
Net operating income	6,932,270	8	11,315,852	10
Non-operating income and expenses:				
Interest income	4,253,449	5	90,321	-
Foreign exchange gain (loss)	689,500	1	(51,660)	-
Interest expense (note 6)	(82,878)	-	(187,842)	-
Total non-operating income and expenses	4,860,071	6	(149,181)	-
Profit from continuing operations before tax	11,792,341	14	11,166,671	10
Tax expense **(note5(f))**	2,822,285	3	2,364,475	2
Profit	8,970,056	11	8,802,196	8
Other comprehensive income, net	-	-	-	-
Total comprehensive income, net	**$ 8,970,056**	**11**	**8,802,196**	**8**

See accompanying notes to financial statements.

HCL TECHNOLOGIES (TAIWAN) LTD.

Statements of Changes in Equity

For the fiscal years ended March 31, 2021 and 2020

(Amounts Expressed in New Taiwan Dollars)

	Ordinary shares	Legal reserve	Unappropriated retained earnings	Total equity
Balance on April 1, 2019	$ 5,000,000	15,968	3,259,969	8,275,937
Profit	-	-	8,802,196	8,802,196
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	8,802,196	8,802,196
Appropriation and distribution of retained earnings:				
Legal reserve appropriated	-	311,625	(311,625)	-
Issue of shares (note 5(g))	6,000,000	-	-	6,000,000
Balance on March 31, 2020	11,000,000	327,593	11,750,540	23,078,133
Profit	-	-	8,970,056	8,970,056
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	8,970,056	8,970,056
Appropriation and distribution of retained earnings:				
Legal reserve appropriated	-	880,220	(880,220)	-
Balance on March 31, 2021	**$ 11,000,000**	**1,207,813**	**19,840,376**	**32,048,189**

See accompanying notes to financial statements.

HCL TECHNOLOGIES (TAIWAN) LTD.

Statements of Cash Flows

For the fiscal years ended March 31, 2021 and 2020

(Amounts Expressed in New Taiwan Dollars)

		For the years ended March 31,	
		2021	**2020**
Cash flows from (used in) operating activities:			
Profit before tax	$	11,792,341	11,166,671
Adjustments:			
Adjustments to reconcile profit (loss):			
Interest income		(4,253,449)	(90,321)
Interest expense		82,878	187,842
Provision for bad debt (gain) expense		(169,626)	203,294
Depreciation expense		735,435	19,124
Unrealized foreign exchange (gain) loss		-	317,045
		8,187,579	11,803,655
Changes in operating assets and liabilities:			
Decrease (increase) in trade receivables		9,775,334	(14,183,025)
Increase in trade receivables from related parties		(7,320,219)	(2,074,957)
Increase in other receivables		(1,387,293)	(4,050,670)
Increase in current lease receivables		(4,813,609)	(4,078,658)
Decrease in prepayments		282,389	181,008
Increase in non-current lease receivables		(1,049,069)	(3,412,287)
(Increase) decrease in other current assets		(58,130)	132,675
Increase in other non-current assets		(128,068)	(468,033)
Decrease in trade payables		(1,630,966)	(1,623,388)
Increase in trade payables to related parties		6,023,758	16,376,385
(Decrease) increase in other payables		(1,201,172)	9,289,219
(Decrease) increase in other payables to related parties		(24,109,784)	50,720,158
Increase in other non-current liabilities		83,531	-
Cash inflow (outflow) generated from operations		(17,345,719)	58,612,082
Interest received		4,253,449	90,321
Income taxes paid		(3,097,223)	(1,161,605)
Net cash flows from (used in) operating activities		(16,189,493)	57,540,798
Cash flows from (used in) investing activities:			
Acquisition of property, plant and equipment		(1,849,639)	(440,582)
Net cash flows from (used in) investing activities		(1,849,639)	(440,582)
Cash flows from (used in) financing activities:			
Interest paid		(73,089)	(33,322)
Proceeds from issuing shares		-	6,000,000
Net cash flows from (used in) financing activities		(73,089)	5,966,678
Net (decrease) increase in cash and cash equivalents		(18,112,221)	63,066,894
Cash and cash equivalents at beginning of period		67,982,688	4,915,794
Cash and cash equivalents at end of period	$	**49,870,467**	**67,982,688**

See accompanying notes to financial statements.

HCL TECHNOLOGIES (TAIWAN) LTD.

Notes to the Financial Statements

For the years ended March 31, 2021 and 2020

(1) Company history

HCL TECHNOLOGIES (TAIWAN) LTD. (the "Company") was incorporated in December 2016 and commenced its operations in April 2017. The Company is primary engaged in business development, installation and implementation of software, as well as management service. The Company's registered office is located at 18th floor, No. 460 Section 4, Xinyi Road, Taipei, Taiwan, Republic of China (R.O.C.). HCL Technologies Limited is the Company's ultimate parent company.

(2) Approval date and procedures of the financial statements

These financial statements were authorized for issuance by the board of directors on July 16, 2021.

(3) Summary of significant accounting policies

The significant accounting policies presented in the financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

(a) Statement of compliance

These financial statements have been prepared in accordance with the Business Entity Accounting Act and the Regulation on Business Entity Accounting Handling, as well as Enterprise Accounting Standards and their related Interpretations announced by the Accounting Research and Development Foundation of the Republic of China. (hereinafter referred to as "EAS").

(b) Basis of preparation

(i) Basis of measurement

The financial statements have been prepared on a historical cost basis.

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The financial statements are presented in New Taiwan Dollar (NTD), which is the Company's functional currency.

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currency using the exchange rate at that date; foreign currency differences are recognized in profit or loss. Non-monetary items in foreign currencies that are measured at fair value are translated using the exchange rate at the date when the fair value was measured. When a gain or loss on a non-monetary item is recognized in other comprehensive income, the related exchange gain or loss is recognized in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, the related exchange gain or loss is recognized in profit or loss. Non-monetary items in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

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HCL TECHNOLOGIES (TAIWAN) LTD.

Notes to the Financial Statements

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting date; or

(iv) The asset is cash or a cash equivalent, unless, the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting date; or

(iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

The Company classifies its financial liabilities as current when they are due to be settled within twelve months after the reporting date, even if the original term was for a period longer than twelve months, and an agreement to refinance, or to reschedule payments, on a long-term basis, is completed after the reporting date, and before the financial statements are authorized for issuance.

When the Company breaches a provision of a loan arrangement with the effect that the liability becomes payable on demand, it classifies the liability as current. However, if the lender agreed, after the reporting date and before the authorization of the financial statements for issuance, to provide a period of grace for at least twelve months after the reporting date, within which the Company can rectify the breach, and during which, the lender cannot demand immediate repayment, the Company classifies the liability as non-current.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment, or other purposes, should be recognized as cash equivalents.

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(f) Financial instruments

Financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instruments.

(i) Financial assets

Financial assets are classified into the following category: loans and receivables.

1) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables other than insignificant interest on short-term receivables are measured at amortized cost using the effective interest method, less any impairment losses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade-date accounting.

Interest income is recognized in profit or loss, and it is included in non-operating income and expenses.

1) Impairment of financial assets

Except for financial assets at fair value through profit or loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the issuer or obligor;
- a breach of contract (such as a default or delinquency in interest or principal payments).

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as the observable changes in national or local economic conditions that correlate with default on receivables.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

An impairment loss in respect of a financial asset is reflected in an allowance account against the carrying amount. When it is determined a financial asset is uncollectible, it is written off from the allowance account. The amounts that were previously written off and subsequently withdrawn are credited to the allowance account. Changes in the amount of the allowance account are recognized in profit or loss. An impairment loss in respect of a financial asset measured at cost is reflected directly against the carrying amount.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

If, in a subsequent period, the amount of impairment loss on a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

2) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the assets are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount, and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity, is recognized in profit or loss and is included in non-operating income and expenses.

On derecognition of a financial asset other than in its entirety, the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized, and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income, is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

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(ii) Financial liabilities and equity instruments

1) Other financial liabilities

Financial liabilities not classified as held for trading or designated as at fair value through profit or loss are measured at fair value, plus any directly attributable transaction costs on initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capitalized cost is recognized in profit or loss, and is included in non-operating income and expenses.

2) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. The difference between the carrying amount of a financial liability derecognized and the consideration paid and payable (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income or expenses.

3) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the assets and settle the liabilities simultaneously.

(g) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful life of each component of an item of property, plant and equipment.

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The estimated useful lives for the current and comparative periods of significant items of property, plant and equipment are as follows:

1) Computer Equipment 5 years

(h) Leases

(i) Lessee

Financial leases which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability. Interest should be recognized over the period by applying the effective interest rate method; however, if the straight-line method generates similar results, it may be applied. Finance charges are recognized in finance costs in the statement of profit or loss. The Company will charge contingent rents as expenses in the periods in which they are incurred.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

(i) Lessor

Under a finance lease substantially all the risks and rewards incidental to legal ownership are transferred by the Company, and thus the lease payment receivable is treated by the Company as repayment of principal and finance income to reimburse and reward the Company for its investment and service.

The Company aims to allocate finance income over the lease term on a systematic and rational basis. This income allocation is based on a pattern reflecting a constant periodic return on the Company's net investment in the finance lease. Lease payments relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

(i) Impairment of non financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For 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 CGUs. Goodwill arising from a business combination is allocated to CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination.

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

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

(j) Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognized:

(i) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions have been satisfied:

1) the significant risks and rewards of ownership of the goods have passed to the buyer;

2) neither continuing managerial involvement nor effective control over the goods sold have been retained;

3) the amount of revenue can be measured reliably;

4) it is probable that the economic benefits associated with the transaction will flow to the entity; and

5) the costs incurred in respect of the transaction can be measured reliably.

For the customer loyalty points program that the Company operates, consideration received is allocated between the goods sold and the points issued, with the consideration allocated to the points equal to their fair value. The fair value of the points issued is deferred and recognized as revenue when the points are redeemed

(ii) Services

Revenue is recognized when persuasive evidence of an arrangement exists and services have been rendered, the fee is determinable and collectability is reasonably assured.

Revenue from projects are recognized by reference to the stage of completion. Stage of completion is measured by reference to the proportion that contract cost incurred for work performed to date bear to the estimated total contract costs. When the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered.

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HCL TECHNOLOGIES (TAIWAN) LTD.

Notes to the Financial Statements

(k) Employee benefits

(i) Defined contribution plans

Obligations for contributions to the defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are provided by employees.

(l) Income taxes

Income taxes include both current taxes and deferred taxes. All current and deferred taxes are recognized in profit or loss.

Current taxes include (i) tax payables and tax deduction receivables on taxable profits (losses) for the year calculated using the statutory tax rate on the reporting date, (ii) tax payables that are calculated based on the part of the prior-year's earnings that have been decided during the shareholders' meeting in the current year decides not to distribute to the shareholders using the statutory tax rate, as well as (iii) the tax adjustments related to prior years.

Deferred taxes will be recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial purposes and their tax base, and will not be recognized for:

(i) temporary differences on the initial recognized of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits or losses;

(ii) temporary differences related the investments in subsidiaries, associates and joint arrangement to the extent that the Company is able to control the timing of the reverse of the temporary differences and its probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising from the initial recognization of goodwill.

Deferred tax assets will be recognized to the extent that it is probable that future taxable profit will be available against which they can be used. Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that the future profits will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, which is the tax rate that had been enacted by the end of the reporting period.

The Company shall offset any current tax assets and current tax liabilities or deferred tax assets and deferred tax liabilities if, and only if, the Company:

(i) has a legally enforceable right to offset the recognized amounts; and

(ii) intends either to settle the liability on a net basis or to realize the asset and settle the liability simultaneously.

(4) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

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

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

There are no assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

(5) Explanation of significant accounts

(a) Cash and cash equivalents

		March 31, 2021	March 31, 2020
Cash and cash equivalents	**$**	**49,870,467**	**67,982,688**

(b) Trade receivables

		March 31, 2021	March 31, 2020
Trade receivables	$	17,254,692	27,030,026
Trade receivables from related parties		16,628,564	9,308,345
Less: Allowance for impairment		33,668	203,294
	$	**33,849,588**	**36,135,077**

As of March 31, 2021 and 2020, trade receivables of the Company were not pledged as collateral.

The movement in the allowance for trade receivables was as follows:

		2020/2021	2019/2020
Balance at April 1	$	203,294	-
Impairment loss recognized		-	203,294
Impairment loss reversed		(169,626)	-
Balance at March 31	**$**	**33,668**	**203,294**

(Continued)

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Notes to the Financial Statements

(c) Lease payments receivable

The receivables of the Company's finance lease assets were as follows:

	March 31, 2021			March 31, 2020		
	Gross investment in the lease	Unearned finance income	Present value of minimum lease payments receivable	Gross investment in the lease	Unearned finance income	Present value of minimum lease payments receivable
Less than one year	$ 9,914,002	(309,017)	9,604,985	4,941,670	(150,294)	4,791,376
Between one and five years	6,188,551	(218,613)	5,969,938	5,285,306	(364,437)	4,920,869
Net lease payments receivable	**$ 16,102,553**	**(527,630)**	**15,574,923**	**10,226,976**	**(514,731)**	**9,712,245**

(d) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Company for the years ended March 31, 2021 and 2020 were as follows:

		Computer Equipment	Unfinished construction	Total
Cost:				
Balance at April 1, 2020	$	184,305	256,277	440,582
Additions		1,831,722	17,917	1,849,639
Reclassification		256,277	(256,277)	-
Balance at March 31, 2021	**$**	**2,272,304**	**17,917**	**2,290,221**
Balance at April 1, 2019	$	-	-	-
Additions		184,305	256,277	440,582
Balance at March 31, 2020		**184,305**	**256,277**	**440,582**
Depreciation:				
Balance at April 1, 2020	$	19,124	-	19,124
Depreciation for the year		735,435	-	735,435
Balance at March 31, 2021	**$**	**754,559**	**-**	**754,559**
Balance at April 1, 2019	$	-	-	-
Depreciation for the year		19,124	-	19,124
Balance at March 31, 2020		**19,124**	**-**	**19,124**
Carrying amounts:				
Balance at March 31, 2021	**$**	**1,517,745**	**17,917**	**1,535,662**
Balance at March 31, 2020	**$**	**165,181**	**256,277**	**421,458**

As of March 31, 2021 and 2020, the property, plant and equipment of the Company had not been pledged as collateral.

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Notes to the Financial Statements

(e) Employee benefits

(i) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the to the Bureau of the Labour Insurance amounted to $1,453,613 and $386,166 for the years ended March 31, 2021 and 2020, respectively.

(f) Income taxes

(i) Income taxes

The components of income tax in the years 2021 and 2020 were as follows:

	For the years ended March 31,	
	2021	**2020**
Current tax expense:		
Current period	$ 2,206,167	2,437,071
Adjustment for prior periods	3,672	14,451
	2,209,839	2,451,522
Deferred tax expense:		
Origin and reversal of temporary differences	612,446	(87,047)
Total income tax expense	**$ 2,822,285**	**2,364,475**

There were no income tax recognized directly in equity for 2021 and 2020.

Reconciliation of income tax and profit before tax for 2021 and 2020, was as follows:

	For the years ended March 31,	
	2021	**2020**
Profit excluding income tax	**$ 11,792,341**	**11,166,671**
Income tax using the Company's domestic tax rate	$ 2,358,468	2,233,334
Non-deductible expenses	3,121	1,509
Change in provision in prior periods	3,672	14,451
Undistributed earnings tax 5%	426,511	140,231
Others	30,513	(25,050)
Tax expense	**$ 2,822,285**	**2,364,475**

(Continued)

(ii) Deferred tax assets and liabilities

1) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets for 2019 and 2018 were as follows:

		Unrealized foreign exchange
Deferred tax assets (liabilities):		
Balance at April 1, 2020	$	87,047
Recognized in profit or loss		(612,446)
Balance at March 31, 2021	**$**	**(525,399)**
Balance at April 1, 2019	$	-
Recognized in profit or loss		87,047
Balance at March 31, 2020	**$**	**87,047**

(iii) Examination and Approval

The Company' s tax returns for the years through 2018 were examined and approved by the National Tax Bureau.

(g) Share capital and other equity

(i) Share capital

As of March 31, 2021 and 2020, the authorized capital of the Company consisted of 11,000 shares, respectively, with par value of $100 per share. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding was as follows:

	2020/2021	**2019/2020**
Balance at April 1	110,000	50,000
Issuance of shares	-	60,000
Balance at March 31	**110,000**	**110,000**

(ii) Retained earnings

According to the Company's Articles of Incorporation, if the Company makes a profit in a fiscal year, the profit shall be utilized in the following order:

1) paying taxes

2) offsetting losses of the previous years

3) setting aside 10% of the remaining profit as legal reserve

(Continued)

4) setting aside 0.0001% as employees' rewards

5) and the remaining profit, if any, together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the shareholders’ meeting for approval.

i. Legal reserve

According to the ROC Company Act, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of the total capital. When a company incurs no loss, it may, pursuant to a resolution by a shareholders’ meeting, distribute its legal reserve by shares or by cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

(h) Revenue

The details of revenue for the year ended March 31, 2021 and 2020 were as follows:

	For the years ended March 31,	
	2021	**2020**
Rendering of services	$ 76,338,485	62,230,775
Sales of goods	9,411,395	42,808,307
	$ 85,749,880	**105,039,082**

(i) Classification of financial assets and financial liabilities

(i) Financial assets

	March 31, 2021	**March 31, 2020**
Loans and receivables		
Cash and cash equivalents	$ 49,870,467	67,982,688
Trade receivables	17,221,024	26,826,732
Trade receivables from related parties	16,628,564	9,308,345
Other receivables	5,454,363	4,067,000
Lease receivable	15,574,923	9,712,245
Total	**$ 104,749,341**	**117,897,010**

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Notes to the Financial Statements

(ii) Financial liabilities

	March 31, 2021	March 31, 2020
Financial liabilities at amortized cost		
Trade payables	$ 1,916,499	3,547,465
Trade payables to related parties	24,138,264	18,114,506
Other payables	9,784,331	10,985,503
Other payables to related parties	37,525,727	61,625,722
Other non-current liabilities	83,531	61,625,722
Total	$ 73,448,352	155,898,918

(6) Related-party transactions

(a) Parent company and ultimate controlling company

HCL Technologies UK Ltd. is the parent company of the Company and owns all the shares of the Company. HCL Technologies Limited is the ultimate controlling party of the Company.

(b) Significant transactions with related parties

(i) Operating revenues and receivables

The significant amounts of consulting revenue by the Company to related parties and receivables from related parties were as follows:

	Operating Revenues		Receivables from Related Parties	
	For the years ended March 31,		March 31,	March 31,
	2021	2020	2021	2020
Other related parties (including ultimate controlling party)	$ 38,462,159	27,104,166	16,628,564	9,308,345

The transaction price to the above related parties was determined through mutual agreement based on the market rates. The collection period to related parties is month-end 120 days, similar to that of third parties.

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Notes to the Financial Statements

(ii) Operating costs and payables

The amounts of significant consulting costs incurred by the Company from related parties and payables to related parties were as follows:

	Operating Costs		Payables to Related Parties	
	For the years ended March 31,		March 31,	March 31,
	2021	2020	2021	2020
Other related parties (including ultimate controlling party)	$ 16,178,092	32,785,992	24,138,264	18,114,506

The terms and pricing of the above transactions with related parties were not significantly different from those offered by other vendors. The payment terms ranged from 45 to 90 days, which were no different from those given by other vendors.

(iii) Other payables to related parties

	March 31, 2021	March 31, 2020
Other related parties	$ 37,525,727	55,574,722

As of March 31, 2020, the amount $49,619,535 within the above-mentioned balance was initially received for expected collection. Since the transaction was revoked before the end of the fiscal year, the full amount would be used to settle future transactions.

(iv) Borrowings from related Parties

The borrowings from related parties were as follows:

	March 31, 2021	March 31, 2020
Other related parties	$ -	6,051,000

As of March 31, 2019, HCL Technologies Finland Oy agreed to lend the Company a loan amounting to $6,165,200 (USD200,000) from March 19, 2019 to March 18, 2020 which was further renewed for another year, with maturity date set on March 18, 2021. The loan has been paid back in full on March 27, 2021. The interest rate charged to the Company for the loan period is LIBOR +1%. As of March 31, 2021 and 2020, the interest expenses were $82,878 and $187,812, respectively. As of March 31, 2021 and 2020, the interests payable were $9,789 and $157,176, respectively.

(Continued)

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Notes to the Financial Statements

(7) Pledged assets

None.

(8) Subsequent Events

None.

(9) Other

A summary of the current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function	For the year ended March 31, 2021			For the year ended March 31, 2020		
By item	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salaries	32,730,691	-	32,730,691	8,130,112	-	8,130,112
Labor and health insurance	729,733	-	729,733	529,560	-	529,560
Pension	1,453,613	-	1,453,613	386,166	-	386,166
Others	-	-	-	-	-	-
Depreciation	-	735,435	735,435	-	19,124	19,124
Amortization	-	-	-	-	-	-