

**HCL ASIA PACIFIC PTE. LTD.**  
Registration No: 200202986R

**ANNUAL REPORT  
FOR THE YEAR ENDED 31 MARCH 2022**

**HCL ASIA PACIFIC PTE. LTD.**  
**(Incorporated in Singapore)**

**CORPORATE INFORMATION**

(at date of this report)

Shareholder	:	HCL Technologies Limited
Directors	:	Ramanathan Srinivasan Sundram Sridharan Shiv Kumar Walia (Appointed on 20 January 2022)
Secretary	:	Kong Yuh Ling Doreen
Auditors	:	KNAV Services LLP
Registered Office	:	7 Temasek Boulevard #37-01A Suntec Tower One Singapore 038987
Principal place of business	:	7 Temasek Boulevard #37-01A Suntec Tower One Singapore 038987

**INDEX**

	<b><u>PAGE</u></b>
Directors' Statement	1 – 2
Independent Auditor's Report	3 – 5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	10 – 41

**HCL ASIA PACIFIC PTE. LTD.**  
**(Incorporated in Singapore)**

**DIRECTORS' STATEMENT**

The directors submit their statement to the shareholders together with the audited financial statements of the Company for the financial year ended 31 March 2022.

In the opinion of the directors,

- (a) the financial statements of the Company are drawn up so as to give a true and fair view of the financial position of the Company as at 31 March 2022, the financial performance, changes in equity and cash flows of the Company for the financial year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

**1) DIRECTORS OF THE COMPANY**

The directors of the Company in office at the date of this statement are as follows: -

**RAMANATHAN SRINIVASAN**  
**SUNDARAM SRIDHARAN**  
**SHIV KUMAR WALIA (Appointed on 20 January 2022)**

**2) ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES**

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

**3) DIRECTORS' INTERESTS IN SHARES OR DEBENTURES**

According to the register of directors' shareholdings, kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Cap. 50, the directors holding office at the end of the financial year had an interest in the shares or debentures of the Company and its related corporations are detailed below: -

<b><u>Name of the directors and respective companies in which interests are held</u></b>	<b><u>Direct interest</u></b>	
	<b><u>At beginning of the year or date of appointment</u></b>	<b><u>At end of the year</u></b>
	<b><u>Number of ordinary shares</u></b>	
<b><u>Ultimate Holding Company</u></b> <b><u>HCL Technologies Ltd</u></b>		
Sundaram Sridharan	24,208	24,208
<b><u>Vested ESOPs</u></b>		
Sundaram Sridharan	-	4,383
Shiv Kumar Walia	-	6,819

**DIRECTORS' STATEMENT**

**4) SHARE OPTIONS**

(a) Options to take up unissued shares

There were no share options granted to subscribe for unissued shares of the company.

(b) Options exercised

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

(c) Unissued shares under option

There were no unissued shares of the Company under option at the end of the financial year.

**5) INDEPENDENT AUDITORS**

The independent auditors, KNAV Services LLP, have expressed their willingness to accept re-appointment as auditors.

On behalf of the Directors,



SHIV KUMAR WALIA  
DIRECTOR  
DATE: 13 July 2022



SUNDARAM SRIDHARAN  
DIRECTOR  
DATE: 13 July 2022



KNAV SERVICES LLP  
(UEN: T19LL0095C)  
70 Shenton Way,  
#13-03 Eon Shenton  
Singapore 079118  
www.knavcpa.com  
(KNAV SERVICES LLP is  
incorporated with limited  
liability.)

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
HCL ASIA PACIFIC PTE LTD  
FOR FINANCIAL YEAR ENDED 31 MARCH 2022**

**Opinion**

We have audited the financial statements of HCL Asia Pacific Pte Ltd (the "Company"), which comprise the statement of financial position as at 31 March 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the financial position of the Company as at 31 March 2022 and of the financial performance, changes in equity and cash flows of the Company for the financial year ended on that date.

**Basis for Opinion**

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). 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 Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Other Information**

Management is responsible for the other information. The other information comprises the information included in the Directors' Statement but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
HCL ASIA PACIFIC PTE LTD  
FOR FINANCIAL YEAR ENDED 31 MARCH 2022**

**Responsibilities of Management and Directors for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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.

The directors' responsibilities include overseeing the Company's financial reporting process.

**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 SSAs 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 SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF  
HCL ASIA PACIFIC PTE LTD  
FOR FINANCIAL YEAR ENDED 31 MARCH 2022**

**Auditor's Responsibilities for the Audit of the Financial Statements (Continued)**

- 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.
- 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 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.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

*KNAV Services LLP*

**KNAV SERVICES LLP**  
Public Accountants and  
Chartered Accountants

Singapore  
13 July 2022

**HCL ASIA PACIFIC PTE. LTD.**  
(Incorporated in Singapore)

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2022**

	Note	2022 S\$	2021 S\$
Revenue	4	13,133,966	11,698,408
Cost of sales		(11,501,518)	(10,240,188)
Gross profit		1,632,448	1,458,220
Write-back of trade receivables		97,529	5,708
Other (losses)/income, net	6	(220,585)	546,669
<u>Other items of expenses</u>			
Administrative expenses		(363,707)	(321,659)
Other operating expenses		(132,050)	(131,578)
Operating profit		1,013,635	1,557,360
Finance income	7	3,565	19,466
Finance costs	8	(13,637)	(4,110)
<b>Profit before tax</b>	5	1,003,563	1,572,716
Income tax expense	10	(218,007)	(117,670)
<b>Profit after tax</b>		785,556	1,455,046
Foreign currency translation differences-foreign operations		(393,345)	(280,497)
<b>Total comprehensive income for the year</b>		392,211	1,174,549

The annexed notes form an integral part of these financial statements

**HCL ASIA PACIFIC PTE. LTD.**  
(Incorporated in Singapore)

**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022**

	Note	2022 S\$	2021 S\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	12	5,691,414	4,232,463
Trade receivables	13	4,745,689	5,258,696
Inventory		5,917	2,866
Other receivables, deposits and prepayments	14	4,703,370	3,199,704
<b>Total current assets</b>		<b>15,146,390</b>	<b>12,693,729</b>
<b>Non-current assets</b>			
Plant and equipment	15	80,438	169,108
Right of use assets	21	50,631	-
Intangible assets	16	96,132	128,777
Investment in a subsidiary	17	450,761	450,761
Other receivables, deposits and prepayments	14	3,951,751	170,940
Deferred tax assets	11	125,372	99,041
<b>Total non-current assets</b>		<b>4,755,085</b>	<b>1,018,627</b>
<b>Total assets</b>		<b>19,901,475</b>	<b>13,712,356</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Income tax liabilities	10	165,622	47,348
Trade payables	18	8,969,106	6,700,588
Borrowings	20	700,000	-
Lease liabilities	21	21,553	-
Other payables and accruals	19	4,417,600	953,724
<b>Total current liabilities</b>		<b>14,273,881</b>	<b>7,701,660</b>
<b>Non-current liabilities</b>			
Contract liabilities	18	2,920	4,146
Lease liabilities	21	25,913	-
<b>Total non-current liabilities</b>		<b>28,833</b>	<b>4,146</b>
<b>Total liabilities</b>		<b>14,302,714</b>	<b>7,705,806</b>
<b>Equity</b>			
<b>Capital and reserves attributable to owners of the parent</b>			
Share capital	22	100,000	100,000
Retained earnings		5,914,592	5,929,036
Foreign currency translation reserve	22	(415,831)	(22,486)
<b>Total equity</b>		<b>5,598,761</b>	<b>6,006,550</b>
<b>Total equity and liabilities</b>		<b>19,901,475</b>	<b>13,712,356</b>

The annexed notes form an integral part of these financial statements

**HCL ASIA PACIFIC PTE. LTD.**  
(Incorporated in Singapore)

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2022**

	Attributable to owners of the Company			Total S\$
	Share Capital S\$	Retained Earnings S\$	Foreign currency translation reserve S\$	
<b>Balance as at 31 March 2020</b>	100,000	5,773,390	258,011	6,132,001
<b>Total comprehensive income for the year</b>				
Profit for the year	-	1,455,046	-	1,455,046
Foreign currency translation differences-foreign operations	-	-	(280,497)	(280,497)
<b>Total comprehensive income for the year</b>	-	1,455,046	(280,497)	1,174,549
<b>Transactions with owners, recognised directly in equity</b>				
Dividend paid during the year (Note 23)	-	(1,300,000)	-	(1,300,000)
<b>Total transactions with owners</b>	-	(1,300,000)	-	(1,300,000)
<b>Balance as at 31 March 2021</b>	100,000	5,929,036	(22,486)	6,006,550
<b>Total comprehensive income for the year</b>				
Profit for the year	-	785,556	-	785,556
Foreign currency translation differences-foreign operations	-	-	(393,345)	(393,345)
<b>Total comprehensive income for the year</b>	-	785,556	(393,345)	392,211
<b>Transactions with owners, recognised directly in equity</b>				
Dividend paid during the year (Note 23)	-	(800,000)	-	(800,000)
<b>Total transactions with owners</b>	-	(800,000)	-	(800,000)
<b>Balance as at 31 March 2022</b>	100,000	5,914,592	(415,831)	5,598,761

The annexed notes form an integral part of these financial statements

**HCL ASIA PACIFIC PTE. LTD.**  
(Incorporated in Singapore)

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2022**

Note	2022 S\$	2021 S\$
<b>Cash flows from operating activities</b>		
Profit before tax	1,003,563	1,572,716
Adjustments:-		
Depreciation of property, plant and equipment	15 92,438	102,177
Depreciation for right of use assets	21 14,104	-
Amortization of intangible assets	16 25,509	29,402
Interest expense	8 8,286	531
Interest income	7 (3,565)	(19,466)
Reversal of impairment of investment in subsidiary	17 -	(450,761)
Write-back of trade receivables	13 (97,529)	(5,708)
Unrealised currency translation gain	(195,445)	(264,617)
Operating cash flows before changes in working capital	847,361	964,274
Changes in working capital:-		
Trade, other receivables ,deposits and prepayments	(4,673,940)	(3,595,522)
Inventory	9,789	(2,866)
Trade, other payables and other liabilities	5,725,231	1,124,477
Cash generated from/(used in) from operations	1,908,441	(1,509,637)
Tax (paid) / refund	10 (148,369)	50,876
<b>Net cash generated from/(used in) from operating activities</b>	<b>1,760,072</b>	<b>(1,458,761)</b>
<b>Cash flows from investing activities</b>		
Repayment from related corporation	14 -	4,281,300
Purchase of plant and equipment	15 (40,318)	(53,528)
Purchase of business	16 -	(85,038)
Interest income received	3,565	41,003
<b>Net cash (used in)/generated from investing activities</b>	<b>(36,753)</b>	<b>4,183,737</b>
<b>Cash flows from financing activities</b>		
Repayment to related corporation	18 -	(3,567,793)
Loan from related corporations	20 700,000	-
Dividend paid	23 (800,000)	(1,300,000)
Payment of lease liabilities	21 (16,795)	-
Interest paid on lease liabilities	21 (2,349)	-
<b>Net cash used in financing activities</b>	<b>(119,144)</b>	<b>(4,867,793)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,604,175</b>	<b>(2,142,817)</b>
Beginning of the financial year	4,232,463	6,394,005
Effect of exchange differences on cash and cash equivalents held in foreign currency	(145,224)	(18,725)
<b>End of the financial year</b>	<b>5,691,414</b>	<b>4,232,463</b>

The annexed notes form an integral part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 MARCH 2022**

**1. DOMICILE AND PRINCIPAL ACTIVITIES**

The Company (Company Registration No: 200202986R) is a private Company incorporated and domiciled in Singapore with its registered office at 31 International Business Park, #05-02, Singapore 6099301 and principal place of business at 31 International Business Park, #05-02, Singapore 6099301.

The principal activities of the Company are rendering of information technology engineering services, software consultancy and development services and products sales. The Company also has branch offices in Japan and South Korea. The principal activities of the branches are the same as the Company.

The immediate and ultimate holding Company is HCL Technologies Limited, a company incorporated in India.

The financial statements were authorised for issue by the Board of Directors on 13 July 2022.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Basis of Preparation**

The financial statements have been prepared in accordance with Financial Reporting Standards in Singapore (“FRS”) under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Company’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

In the current financial year, the Company has adopted the new or revised FRS and Interpretations to FRS (INT FRS) that are relevant to its operations and effective for the current financial year. The adoption of these new or revised FRS and INT FRS did not result in changes to the Company’s accounting policies and has no material effect on the amounts reported for the current or prior financial years.

**2.2 Standards issued but not yet effective**

At the date of authorisation of these financial statements, the following FRSs pronouncements relevant to the Company were issued but not effective:

		<b>Effective date (annual periods beginning on or after)</b>
FRS 1	Amendments to FRS 1: Classification of Liabilities as Current or Non-current	1 January 2023
FRS 8	Amendments to FRS 8: Definition of Accounting Estimates	1 January 2023
FRS 12, FRS 101	Amendments to FRS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transactions	1 January 2023
FRS 16	Amendments to FRS 16: Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
FRS 37	Amendments to FRS 37: Onerous contracts – Cost of Fulfilling a Contract	1 January 2022
FRS 103	Amendments to FRS 103: Reference to the Conceptual Framework	1 January 2022
FRS 110, FRS 28	Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
FRS 116	Amendments to FRS 16: Covid-19 Related Rent Concessions beyond 30 June 2022	1 April 2022
FRS 117	Insurance Contracts	1 January 2023
Various	Amendments to FRS 117	1 January 2023
Various	Amendments to FRS 1 and FRS Practice Statement 2: Disclosure of Accounting Policies	1 January 2023
Various	Annual Improvements to FRSs 2018 – 2021	1 January 2022

**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 MARCH 2022**

*(continued)*

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.2 Standards issued but not yet effective (continued)**

Consequential amendments were also made to various standards as a result of these new/revised standards.

The Company does not intend to early adopt any of the above new/revised standards, interpretations and amendments to the existing standards. Management anticipates that the adoption of the aforementioned revised/new standards will not have a material impact on the financial statements of the Company in the period of their initial adoption.

**2.3 Holding Company and Related Corporations**

Holding Company

The immediate and ultimate holding Company is HCL Technologies Limited, a Company incorporated in India and listed on NSE (National Stock Exchange, Mumbai) and BSE (Mumbai Stock Exchange).

Related Corporations

A related corporation is defined as follows:

- (a) A person or a close member of that person's family is related to the Company if that person:
  - (i) Has control or joint control over the Company;
  - (ii) Has significant influence over the Company; or
  - (iii) Is a member of the key management personnel of the Company or of a parent of the Company
- (b) An entity is related to the Company if any of the following conditions applies:
  - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the company.

The effect of the Company's transactions and arrangements with related parties is reflected in these financial statements.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of that company.

**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 MARCH 2022**

(continued)

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.4 Group Accounting**

These financial statements are the separate financial statements of the Company. The Company is exempted from the requirement to prepare consolidated financial statements as the Company is a wholly owned subsidiary of the ultimate holding company in India, which produces consolidated financial statements available for public use. The registered office of the ultimate holding company, HCL Technologies Limited, is at 806 Siddharth, 96, Nehru Place, New Delhi – 110019, India. The basis on which the subsidiary is accounted for is disclosed in Note 2.5 to the financial statements.

**2.5 Investment in a Subsidiary**

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it 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.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any impairment losses.

**2.6 Revenue Recognition**

Revenue from sale of goods and services in the ordinary course of business is recognised when the Company satisfies a performance obligation (PO) by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods and/or services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the POs if it relates specifically to those POs.

The amount of revenue recognised is based on the transaction price, which comprises the contractual price, net of the estimated volume rebates and adjusted for expected returns. Based on the Company's experience with similar types of contracts, variable consideration is typically constrained and is included in the transaction only to the extent that it is a highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The transaction price is the amount of consideration in the contract to which the Company expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Company does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

**(a) Sale of equipment**

Revenue from sale of equipment is recognised at a point in time when the customer obtains control and benefit over the asset. This generally coincides with delivery and acceptance.

**(b) Service revenue – Development, installation and implementation of software**

Revenue from rendering of services is recognised when the services are rendered. Where services are provided in stages, revenue is recognised using the percentage-of completion method based on the actual service provided as a proportion of the total services to be performed.

**(c) Time-and-material contracts and recurring fixed billing contracts**

The service revenue is recognised when the services are rendered and when the customer obtains control over time.

**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 MARCH 2022**

(continued)

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.7 Plant and Equipment**

**(a) Measurement**

(i) Plant and equipment

All items of plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) Components of costs

The cost of an item of plant and equipment initially recognised includes its purchase price and any costs that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs and any fair value gains or losses on qualifying cash flow hedges of plant and equipment that are transferred from the hedging reserves.

**(b) Depreciation**

**Depreciation of Plant and Equipment**

Depreciation is recognised from the date that the plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows: -

	<u>No. of Years</u>
Computer equipment	4 - 5 Years

No depreciation is provided for capital work in progress.

The residual values, estimated useful lives and depreciation methods of plant and equipment are reviewed, and adjusted as appropriate, at each reporting date. The effects of any revision are recognised in the profit or loss when the changes arise.

**(c) Subsequent expenditure**

Subsequent expenditure relating to plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All repair and maintenance expenses are recognised in profit or loss when incurred.

**(d) Disposal**

On disposal of an item of plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "other income and losses".

The residual values, useful life and depreciation method are reviewed at the end of the reporting period adjusted prospectively, if appropriate.

Fully depreciated plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect to the assets

**2.8 Business combinations and goodwill**

The Company accounts for business combinations using the acquisition method when control is transferred to the Company.

**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 MARCH 2022**

*(continued)*

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.8 Business combinations and goodwill (continued)**

The Company measures goodwill at the date of acquisition as:

- The fair value of the consideration transferred; plus
- The recognised amount of any NCI in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity; it is not remeasured and settlement is accounted for within equity. Other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Cost related to acquisition, other than those associated with the issue of debt or equity investments, that the Company incurs in connection with a business combination are expensed as incurred.

Goodwill that arises upon the acquisition of business is included in Intangible assets.

*Subsequent measurement*

Goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Common control business combination is accounted using the pooling of interest method where the Company is transferee. Assets and liabilities of the combining entities are reflected at their carrying amounts and no new asset or liability is recognised. Identity of reserves of the transferor Company is preserved by reflecting them in the same form in the Company's financial statements in which they appeared in the financial statement of the transferor Company. The excess between the amount of consideration paid over the share capital of the transferor Company is recognised as a negative amount and the same is disclosed as capital reserve on business combination.

**2.9 Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of profit and loss in the year in which the expenditure is incurred.

Intangible assets are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognised in the statement of profit and loss.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit and loss when the asset is derecognised.

**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 MARCH 2022**

(continued)

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.9 Intangible assets (continued)**

The intangible assets are amortized over the estimated useful life of the assets as mentioned below.

	<u>No. of Years</u>
Customer Relationship	over 10 years in proportion of estimated revenue

**2.10 Financial Instruments**

**(a) Financial assets**

**i. Recognition and initial measurement**

*Non-derivative financial assets and financial liabilities*

Trade receivables and debt investments issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

**ii. Classification and subsequent measurement**

**Non-derivative financial assets**

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

**Financial assets at amortised cost**

The Company does not have non-derivative assets measured at FVOCI and FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost comprise cash and cash equivalents and trade and other receivables.

The assets are subsequently measured at amortised costs using the effective interest method. The amortised costs are reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

**Financial assets at FVTPL**

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 MARCH 2022**

(continued)

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.10 Financial Instrument (continued)**

**(a) Financial assets (continued)**

**ii. Classification and subsequent measurement (continued)**

**Financial assets at FVTPL (continued)**

*Financial assets: Business model assessment*

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held-for-trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

**Subsequent measurement and gains and losses**

**Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest**

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 MARCH 2022**

*(continued)*

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.10 Financial Instrument (continued)**

**(a) Financial assets (continued)**

**iii. Derecognition**

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

**(b) Financial liabilities**

**(i) Initial recognition and measurement**

The Company initially recognises financial liabilities on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

**(ii) Classification and subsequent measurement**

Financial liabilities are classified as measured at amortised cost. Such financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprise trade and other payables and other long-term payables (excludes long-term employee benefits).

**(iii) Derecognition**

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantively different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including non-cash transferred or liabilities assumed) is recognised in profit or loss.

**(c) Offsetting of financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

**2.11 Impairment**

**(i) Non-derivative financial assets**

The Company recognises an allowance for expected credit losses (ECLs) on financial assets measured at amortised cost, finance lease receivables and contract assets.

Loss allowances of the Company are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 MARCH 2022**

*(continued)*

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.11 Impairment (continued)**

**(i) Non-derivative financial assets**

**General approach**

The Company applies the general approach to provide for ECLs on all the other financial assets. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment that includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 365 days past due.

The Company considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 365 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

**Measurement of ECLs**

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

**Credit-impaired financial assets**

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 365 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 MARCH 2022**

*(continued)*

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.11 Impairment (continued)**

**(i) Non-derivative financial assets**

**Presentation of allowance for ECLs in the statement of financial position**

Loss allowances for financial assets measured at amortised cost and are deducted from the gross carrying amount of these assets.

**Write off**

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

**(ii) Non-financial assets**

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then 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 year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 CGU. For the purpose of impairment testing, assets that cannot be tested individually 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. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs 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. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Company's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**2.12 Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, if it is probable that an outflow of economic resources will be required to settle the obligation and the amount of has been reliably estimated.

**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 MARCH 2022**

*(continued)*

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.12 Provisions (continued)**

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised in the statement of comprehensive income as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in the profit or loss when the changes arise.

**2.13 Income Taxes**

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under FRS 37 Provisions, Contingent Liabilities and Contingent Assets.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilized.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date; and
- (ii) based on the tax consequence that will follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities.

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 taxes levied by the same tax authority on the same taxable entity.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Current and deferred income taxes are recognised as income or expense in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 MARCH 2022**

*(continued)*

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.14 Cash and Cash Equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts, where applicable. Bank overdrafts are presented as current borrowings on the statement of financial position. For cash subjected to restriction, where applicable, assessments are made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

**2.15 Currency Translation**

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates. The financial statements of the Company are presented in Singapore Dollar, which is the functional and presentation currency of the Company.

(ii) Transactions and balances

Transactions in a currency other than the functional currency (“foreign currency”) are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in profit or loss. Monetary items include primarily financial assets (other than equity investments) and financial liabilities.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within “finance cost”. All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within “other income / losses – net”.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of the following items are recognised in OCI.

(iii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions.

**2.16 Employee Compensation**

Employee benefits are recognised as an expense unless the cost qualifies to be capitalized as an asset.

(i) Short-term employee benefits

These include wages, salaries, social security contributions, paid annual leave, paid sick leave, profit sharing, bonuses (if paid within twelve months of the end of the financial year) and other non-monetary benefits such as medical care, housing, cars and free or subsidized goods or services.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 MARCH 2022**

(continued)

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.16 Employee Compensation (continued)**

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

(iii) Compensated absences

The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The employees can carry forward up to the specific portion of the unutilized accumulated compensated absences and utilized it in future periods or received cash at retirement or termination of employment. The expected cost of accumulated compensated absences is determined by actuarial valuation (using the projected unit credit method) based on the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the balance sheet date. The expense on non-accumulating compensated absences is recognised in the statement of profit and loss in the year in which the absences occur. Actuarial gains / losses are immediately taken to the statement of profit and loss are not deferred.

**2.17 Share Capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

**2.18 Leases**

**Definition of a lease**

The Company assesses whether a contract is or contains a lease based on the definition of a lease, as explained in FRS 116.

**As a lessee**

As a lessee, the Company leases many assets including property and IT equipment. The Company previously classified leases as operating or finance leases based on its assessment of whether the lease significantly transferred all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under FRS 116, the Company recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of property the Company has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 MARCH 2022**

*(continued)*

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.18 Leases (continued)**

**As a lessee (continued)**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

**As a lessor**

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for a major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies FRS 115 to allocate the consideration in the contract.

The Company applies the derecognition and impairment requirements in FRS 109 to the finance lease receivables (see Note 14). The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

Generally, the accounting policies applicable to the Company as a lessor in the comparative period were not different from FRS 116 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 MARCH 2022**

*(continued)*

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.19 Dividends**

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

**2.20 Measurement of fair values**

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

**3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS**

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**3.1 Judgments made in applying accounting policies**

**a) Service revenue**

The Company enters into contracts with customers that include promises to transfer both license and support services to the customer. Determining whether the license and support services are distinct require significant judgment. Judgment is also required in the allocation of the consideration to the distinct performance obligations. Where the stand-alone selling price is highly variable or not observable, publicly available price list is used to allocate the consideration to the performance obligations.

The Company uses the percentage-of-completion method to account for its contract revenue. The stage of completion is measured by reference to the contract costs incurred to date compared to the estimated total costs for the contract.

Significant assumptions are required to estimate the total contract costs and the recoverable variation works that affect the stage of completion and the contract revenue respectively. In making these estimates, management has relied on past experience and the work of specialists.

**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 MARCH 2022**

*(continued)*

**3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)**

**3.2 Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

**a) Impairment of loans and receivables and contract assets**

Management reviews its loans and receivables for objective evidence of impairment, on a monthly basis. Significant financial difficulties to the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management has made judgements as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management has made judgements as to whether an impairment loss should be recorded as an expense. In determining this, management has used estimates based on historical loss experience or assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

The expected allowance on the trade receivables and contract assets as at 31 March 2022 is S\$11,023 (2021: S\$19,229). Details of assumptions are disclosed in Note 13.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)  
FOR THE YEAR ENDED 31 MARCH 2022

	2022	2021
	S\$	S\$

**4 REVENUE**

(a) Disaggregation of revenue

The Company derives revenue from the transfer of goods and services at a point in time and over time in the following type of goods and services:

<u>Type of good or service</u>		
(i) Sale of equipment	27,951	2,075,672
(ii) Services revenue		
- Development, installation and implementation of software	9,433,029	5,823,343
- Time and material	1,152,548	1,085,449
- Recurring fixed billing for software services	2,520,438	2,713,944
	13,133,966	11,698,408

The disaggregated revenue from customers by geographic area based on location of customer is as follows:

Japan	2,052,983	1,947,449
Korea	8,271,352	8,097,278
USA	331,798	103,299
Rest of world	2,477,833	1,550,382
	13,133,966	11,698,408

Nature of goods and services

The following information reflects the transactions of the Company:

Nature of goods or services	Warranty	Timing of recognition or method used to recognised revenue	Significant payment terms
Sale of services	All services come with standard warranty terms of three months or reasonable time period after due notification from customer, under which customers are allowed to request for replacing the personnel performing the services whose performance is found to be unsatisfactory.	Revenue is recognised overtime as and when the services are performed.	Credit period of 30 to 90 days from invoice date
Sale of equipment		Revenue is recognised at a point in time when the requested goods are delivered.	Credit period of 30 to 90 days from invoice date

(b) Contract liabilities

Contract liabilities : A contract liability arises when there is excess billing over the revenue recognized.

	2022	2021
	S\$	S\$
Balance as at 1 April	2,927,884	3,019,367
Additional amounts billed but not recognized as revenue	1,337,291	1,362,842
Deduction on account of revenues recognized during the year	(139,893)	(1,454,325)
Balance as at 31 March	4,125,282	2,927,884

**HCL ASIA PACIFIC PTE. LTD.**  
(Incorporated in Singapore)

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)  
**FOR THE YEAR ENDED 31 MARCH 2022**

	2022	2021
	S\$	S\$
<b>5 PROFIT BEFORE TAX</b>		
Included in Profit before tax are the following:		
Purchase of finished goods and services	16,546	743,022
Short-term lease	50,337	57,374
	<u>66,883</u>	<u>799,396</u>
<b>6 OTHER (LOSSES)/INCOME, NET</b>		
Foreign currency exchange (losses)/gains, net	(220,585)	95,908
Reversal of impairment of investment in subsidiary	-	450,761
	<u>(220,585)</u>	<u>546,669</u>
<b>7 FINANCE INCOME</b>		
Interest income- loans to corporations	-	18,965
Interest income- bank accounts	3,565	501
	<u>3,565</u>	<u>19,466</u>
<b>8 FINANCE COST</b>		
Bank charges	5,351	3,579
Interest expense - lease liability	2,349	-
Interest expense - loans from corporations	5,937	-
Interest expense - others	-	531
	<u>13,637</u>	<u>4,110</u>
<b>9 EMPLOYEE BENEFITS EXPENSE</b>		
Short-term employee benefits	2,755,792	2,634,954
Employer's contribution to defined contribution plans including Central Provident Fund	417,010	273,321
Total employee benefits expense	<u>3,172,802</u>	<u>2,908,275</u>
<b>10 INCOME TAXES</b>		
(a) Income tax expense-		
Tax expense attributable to profit is made up of:-		
Current income tax (Note 10(b))	236,288	180,563
Deferred income tax (Note 11(a)):		
Movement in taxable temporary differences	(53,742)	40,313
Others	-	352
	<u>182,546</u>	<u>221,228</u>
Under/(Over) provision of income tax in prior years	16,125	(94,491)
Under/(Over) provision of deferred tax in prior years	19,336	(9,067)
Income tax expense	<u>218,007</u>	<u>117,670</u>

**HCL ASIA PACIFIC PTE. LTD.**  
(Incorporated in Singapore)

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)  
**FOR THE YEAR ENDED 31 MARCH 2022**

	2022	2021
	S\$	S\$
<b>10 INCOME TAXES (continued)</b>		
(b) The tax expense on the profit for the financial period differs from the tax expense that would arise by applying the Singapore standard income tax rate to profit before tax due to the following :-		
Profit before income tax	1,003,563	1,572,716
Tax at the applicable tax rate of 17% (2021:17%)	170,606	267,362
Non-taxable items	(2,582)	(1,181)
Non-deductible items	3,448	(54,511)
Deferred tax assets not recognised		-
Tax rebate	(17,425)	(17,425)
Effect of tax rates in foreign jurisdictions	28,499	32,577
Currency translation difference		
Penalties and interest	-	93
Others	-	(5,686)
Under/(Over) provision of income tax in prior years	16,125	(94,491)
Under/(Over) provision of deferred tax in prior years	19,336	(9,067)
Tax charge	<u>218,007</u>	<u>117,671</u>
(c) Movements in current income tax liabilities		
Balance, at beginning of financial year	47,348	(87,398)
Income tax paid	(228,764)	(128,518)
	<u>(181,416)</u>	<u>(215,916)</u>
Prior year's under/(over) provision	16,125	(94,491)
Current financial year's tax	236,288	180,563
Currency translation differences	14,227	30,601
Refund	80,396	146,591
Balance, at end of financial year	<u>165,620</u>	<u>47,348</u>

**11 DEFERRED TAXES**

- (a) Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 17% (2021: 17%).

The movement on the deferred income tax account is as follows:-

Balance, at beginning of financial year	99,041	132,839
Movement in taxable temporary differences	53,742	(40,313)
(Under)/Over provision of deferred tax in prior years	(19,336)	9,067
Currency translation differences	(8,075)	(2,552)
Balance, at end of financial year	<u>125,372</u>	<u>99,041</u>

**HCL ASIA PACIFIC PTE. LTD.**  
(Incorporated in Singapore)

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)  
**FOR THE YEAR ENDED 31 MARCH 2022**

**11 DEFERRED TAXES (continued)**

- (b) The movements in the deferred tax (assets) and liabilities (prior to offsetting of balances within the same jurisdiction) during the financial year are as follows:-

Deferred tax assets

<u>2022</u>	<u>Employee</u> <u>provisions</u>	<u>Intangible</u> <u>assets</u>	<u>Plant and</u> <u>equipment</u>	<u>Carry</u> <u>forward</u> <u>losses</u>	<u>Other</u> <u>provisions</u>	<u>Total</u>
	S\$	S\$	S\$	S\$	S\$	S\$
Balance at beginning of financial year	(53,925)	-	(60)	(15,178)	(29,878)	(99,041)
(Written back) to Income Statement - current year	(25,837)	-	(2,698)	-	(25,207)	(53,742)
Charged to Income Statement - prior year	(6,128)	-	(2,899)	15,178	13,186	19,336
Currency translation differences	5,347	-	204	-	2,524	8,075
Balance at end of financial year	<u>(80,543)</u>	<u>-</u>	<u>(5,453)</u>	<u>-</u>	<u>(39,375)</u>	<u>(125,372)</u>
<u>2021</u>	<u>Employee</u> <u>provisions</u>	<u>Intangible</u> <u>assets</u>	<u>Plant and</u> <u>equipment</u>	<u>Carry</u> <u>forward</u> <u>losses</u>	<u>Other</u> <u>provisions</u>	<u>Total</u>
	S\$	S\$	S\$	S\$	S\$	S\$
Balance at beginning of financial year	(82,116)	5,424	23	-	(56,170)	(132,839)
Charged to Income Statement - current year	13,767	-	(42)	36,620	(10,032)	40,313
(Written back) to Income Statement - prior year	12,290	(5,479)	1	(51,798)	35,919	(9,067)
Currency translation differences	2,134	55	(42)	-	405	2,552
Balance at end of financial year	<u>(53,925)</u>	<u>-</u>	<u>(60)</u>	<u>(15,178)</u>	<u>(29,878)</u>	<u>(99,041)</u>

- (c) Deferred tax (assets) and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown in the statement of financial position as follows:-

	2022 S\$	2021 S\$
Deferred tax assets	125,372	102,238
Deferred tax liabilities	-	(3,197)
	<u>125,372</u>	<u>99,041</u>

Deferred tax assets have not been recognised in respect of the following items, which are available to set off against future taxable income:

	2022 S\$	2021 S\$
Tax losses	-	<u>89,278</u>

**12 CASH AND CASH EQUIVALENTS**

	2022 S\$	2021 S\$
Cash at banks	5,691,414	4,232,463
Cash and cash equivalents	<u>5,691,414</u>	<u>4,232,463</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)  
**FOR THE YEAR ENDED 31 MARCH 2022**

	<b>2022</b>	<b>2021</b>
	<b>S\$</b>	<b>S\$</b>
<b>13 TRADE RECEIVABLES</b>		
<u>Trade receivables</u>		
Trade receivables- third parties	2,699,861	3,459,766
Less: Allowance for impairment loss (Note 13(iii))	(11,023)	(19,229)
Trade receivables - third parties, net	2,688,838	3,440,537
Unbilled revenue - third parties	248,813	158,655
Unbilled revenue - ultimate holding company	21,346	-
Unbilled revenue - related corporations	65,182	7,202
Ultimate holding company (Note 13(i))	90,413	87,011
Related corporations (Note 13(ii))	1,631,097	1,565,291
<b>Total trade receivables</b>	<b>4,745,689</b>	<b>5,258,696</b>
<b>Add:</b>		
Other receivables, deposits and prepayments (Note 14)	8,655,121	3,370,644
Cash and cash equivalents (Note 12)	5,691,414	4,232,463
<b>Less:</b>		
Deferred costs and prepayments (Note 14)	(8,228,706)	(3,055,573)
<b>Total financial assets at amortised cost</b>	<b>10,863,518</b>	<b>9,806,230</b>

The trade receivables are non-interest bearing and are generally on 30 to 90 days terms (2021: 30 to 90 days terms). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

(i) Ultimate holding company and related corporations

These represent amounts due for sales made to the ultimate holding company and related corporations. They are unsecured, interest-free and repayable under normal trading terms. The Company considers low credit risk for amount due from related corporations and ultimate holding company. Hence, no ECL has been provided.

(ii) Receivables that are impaired

The carrying amount of third party trade receivables individually determined to be impaired at the reporting date and the movement of the allowance account used to record the impairment is as follows:-

Trade receivables - nominal amounts	11,023	19,229
Less: Allowance for impairment	(11,023)	(19,229)
	-	-

Movements during the financial year are as follows:-

	<b>Individual impaired</b>	<b>Individual impaired</b>
Balance at beginning of financial year	19,229	30,602
Addition during the year	(97,529)	(5,708)
Translation difference during the year	89,323	(5,665)
Balance at end of the financial year	11,023	19,229

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral of credit enhancements. Other receivables are impaired on an average term of six months.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)  
FOR THE YEAR ENDED 31 MARCH 2021

	2022	2021
	S\$	S\$

13 TRADE RECEIVABLES (continued)

(iii) Expected credit loss assessment

The Company uses an allowance matrix to measure ECLs of trade receivables from third party individual customers, which comprise a very large number of small balances.

Loss rates are calculated using a "roll rate" method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics- geographic region, age of customer relationship and type of product purchased.

Category	Description	Basis for recognizing
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is > 30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
In default	Amount is > 365 days past due or there is evidence indicating the asset is credit impaired.	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery.	Amount is written off

Set out below is the information about the credit risk exposure on the Company's trade receivables and unbilled receivables from third parties using a provision matrix:

As at 31  
March 2022

	Internal credit rating	12-month or lifetime ECL	Weighted average loss rate	Gross carrying amount	Impairment loss allowance	Credit impaired
			%	S\$	S\$	
Not Due	(a)	Life time ECL	0.00%	2,171,597	-	No
1 to 30 days	(a)	Life time ECL	0.00%	569,384	-	No
31 to 60 days	(a)	Life time ECL	0.00%	1,502	-	No
61 to 90 days	(a)	Life time ECL	0.00%	134,603	-	No
91 to 365 days	(a)	Life time ECL	0.00%	60,565	-	No
More than 365 days	(a)	Life time ECL	100.00%	11,023	11,023	Yes
<b>Total</b>			<b>0.00%</b>	<b>2,948,674</b>	<b>11,023</b>	

As at 31  
March 2021

	Internal credit rating	12-month or lifetime ECL	Weighted average loss rate	Gross carrying amount	Impairment loss allowance	Credit impaired
			%	S\$	S\$	
Not Due	(a)	Life time ECL	0.00%	2,699,694	-	No
1 to 30 days	(a)	Life time ECL	0.00%	665,271	-	No
31 to 60 days	(a)	Life time ECL	0.00%	16,704	-	No
61 to 90 days	(a)	Life time ECL	0.00%	54,834	-	No
91 to 365 days	(a)	Life time ECL	0.07%	162,799	110	No
More than 365 days	(a)	Life time ECL	100.00%	19,119	19,119	Yes
<b>Total</b>			<b>0.53%</b>	<b>3,618,421</b>	<b>19,229</b>	

**HCL ASIA PACIFIC PTE. LTD.**  
(Incorporated in Singapore)

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)  
**FOR THE YEAR ENDED 31 MARCH 2022**

	2022	2021
	S\$	S\$
<b>13 TRADE RECEIVABLES (continued)</b>		
<p>(a) For trade receivables and contract assets, the Company has applied the simplified approach in FRS 109 to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.</p>		
<b>14 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS</b>		
Third parties	308	68,190
Finance lease receivables (Note 14 (iii))	58,400	53,561
Interest receivables from related corporations	12,959	12,866
Advances to third parties (Note 14 (i))	16,610	-
Advances to related corporations (Note 14 (ii))	190,004	-
Sundry deposits	43,181	17,691
Prepayments	476,014	24,395
Deferred cost (Note 14 (iv))	3,905,894	3,023,001
<b>Total other receivables, deposits and prepayments-current</b>	<b>4,703,370</b>	<b>3,199,704</b>
<u>Non-Current</u>		
Finance lease receivables (Note 14 (iii))	103,922	132,943
Deferred cost (Note 14 (iv))	3,843,541	2,301
Sundry deposits	1,030	29,820
Prepayments	3,258	5,876
<b>Total other receivables, deposits and prepayments- non current</b>	<b>3,951,751</b>	<b>170,940</b>
<p>Other receivables have an average settlement term of six months (2021: six months).</p>		
(i) <u>Advances to third parties</u>		
<p>These represent trade advances given which will be used to set off against future purchase contracts with vendors.</p>		
(ii) <u>Advances to related corporations</u>		
<p>The advances are given for day-to-day operation. They are unsecured, interest-free and receivable on demand.</p>		
(iii) <u>Finance lease receivables</u>		
<p>The Company leases various equipment and applicable software licenses for sublease, under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.</p>		
<p>The future minimum sublease payments expected to be received under non-cancellable sublease of equipment and applicable software licenses are as follows:-</p>		
<b>a</b> Gross receivable due:		
-Not later than one year	62,347	56,934
-Later than one year but within two years	41,752	42,038
-Later than two year but within three years	39,763	37,769
-Later than three year but within four years	25,432	35,649
-Later than four year but within five years	-	22,213
	169,294	194,603
Less: Unearned finance income	(6,972)	(8,099)
Net investment in finance lease	162,322	186,504

**HCL ASIA PACIFIC PTE. LTD.**  
(Incorporated in Singapore)

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)  
**FOR THE YEAR ENDED 31 MARCH 2022**

	2022	2021
	S\$	S\$
<b>14 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)</b>		
<b>b</b> The net investment in financial lease is analysed as follows:		
-Not later than one year	58,400	53,561
-Later than one year but within five years	103,922	132,943
	162,322	186,504

(iv) Deferred cost

Deferred contract cost primarily represents the contract fulfilment cost and cost for obtaining the contract.

**15 PLANT AND EQUIPMENT**

	Leasehold Improvements S\$	Furniture and Fittings S\$	Computer Equipment S\$	Total S\$
<u>Cost</u>				
Balance as at 1.4.2020	10,714	14,745	252,689	278,148
Additions	-	-	53,528	53,528
Translation differences	-	-	(24,032)	(24,032)
<b>Balance as at 31.3.2021</b>	<b>10,714</b>	<b>14,745</b>	<b>282,185</b>	<b>307,644</b>
<u>Cost</u>				
Balance as at 1.4.2021	10,714	14,745	282,185	307,644
Additions	-	-	40,318	40,318
Adjustment	-	-	(22,225)	(22,225)
Translation differences	-	-	(33,881)	(33,881)
<b>Balance as at 31.3.2022</b>	<b>10,714</b>	<b>14,745</b>	<b>266,397</b>	<b>291,856</b>
<u>Accumulated depreciation</u>				
Balance as at 1.4.2020	10,714	14,745	34,816	60,275
Charged for the year	-	-	102,177	102,177
Translation differences	-	-	(23,916)	(23,916)
<b>Balance as at 31.3.2021</b>	<b>10,714</b>	<b>14,745</b>	<b>113,077</b>	<b>138,536</b>
Balance as at 1.4.2021	10,714	14,745	113,077	138,536
Charged for the year	-	-	92,438	92,438
Adjustment	-	-	(9,385)	(9,385)
Translation differences	-	-	(10,171)	(10,171)
<b>Balance as at 31.3.2022</b>	<b>10,714</b>	<b>14,745</b>	<b>185,959</b>	<b>211,418</b>
<u>Net book value</u>				
As at 31.3.2021	-	-	169,108	169,108
As at 31.3.2022	-	-	80,438	80,438

**16 INTANGIBLE ASSETS**

	Customer Relationship S\$
<u>Cost</u>	
Balance as at 1.4.2020	167,993
Translation differences	3,546
<b>Balance as at 31.3.2021</b>	<b>171,539</b>

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)  
FOR THE YEAR ENDED 31 MARCH 2022

16 INTANGIBLE ASSETS (continued)

	Customer Relationship S\$
<u>Cost</u>	
Balance as at 1.4.2021	171,539
Translation differences	(10,648)
<b>Balance as at 31.3.2022</b>	<b>160,891</b>
<u>Accumulated amortization</u>	
Balance as at 1.4.2020	12,774
Charged for the year	29,402
Translation differences	586
<b>Balance as at 31.3.2021</b>	<b>42,762</b>
Balance as at 1.4.2021	42,762
Charged for the year	25,509
Translation differences	(3,512)
<b>Balance as at 31.3.2022</b>	<b>64,759</b>
<u>Net book value</u>	
As at 31.3.2021	128,777
As at 31.3.2022	96,132

The table below shows the values and lives of intangible assets recognized on acquisition:

Asset description	Amount (SGD)	Life (Years)	Basis of amortization
Customer relationships	171,539	10	In proportion of estimated revenue

17 INVESTMENT IN A SUBSIDIARY

	2022 S\$	2021 S\$
Unquoted equity investment at cost	450,761	-
Add: Reversal of impairment of investment	-	450,761
	<u>450,761</u>	<u>450,761</u>

(i) Details of the subsidiary are as follows:-

<u>Name of Subsidiary</u>	<u>Principal Activity</u>	<u>Place of Business / Country of Incorporation</u>	<u>Class of Shares Held</u>	<u>Cost</u>		<u>Percentage of equity held and effective shareholding</u>	
				<u>2022 S\$</u>	<u>2021 S\$</u>	<u>2022 %</u>	<u>2021 %</u>
Shanghai You Hua Engineering Machinery Design Co. Ltd (also known as Geometric China Inc.)	Design of engineering, machinery, technical consulting service	People's Republic of China	Ordinary	450.761	450.761	100	100

Movement in allowance for impairment loss is as follows:-

Beginning of the year	-	450,761
Reversal of impairment loss	-	(450,761)
End of the year	-	-

In year 2021, the Company assessed the carrying amount of its investment in subsidiary to determine the recoverable amount. Based on the review, the Company recognised a reversal of impairment losses of \$450,761 on its investment in subsidiary. The recoverable amount was determined based on the net asset value of the the subsidiary which approximates the fair value less costs to sell.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)  
FOR THE YEAR ENDED 31 MARCH 2022

	2022	2021
	S\$	S\$
<b>18 TRADE PAYABLES</b>		
Trade payables - third parties	157,324	292,000
Ultimate holding company (Note 18(i))	4,265,005	3,351,747
Related corporations (Note 18(i))	424,415	41,194
Contract liabilities (Note 18(ii))	4,122,362	2,923,738
Advances- third parties (Note 18(iii))	-	91,909
<b>Trade payables</b>	<b>8,969,106</b>	<b>6,700,588</b>
Other payables and accruals (Note 19)	4,417,600	953,724
<b>Trade and other payables-current</b>	<b>13,386,706</b>	<b>7,654,312</b>
Contract liabilities (Note 18(ii))-Non current	2,920	4,146
<b>Trade and other payables-non current</b>	<b>2,920</b>	<b>4,146</b>
<b>Total trade and other payables</b>	<b>13,389,627</b>	<b>7,658,458</b>
<b>Less:</b>		
Contract liabilities (Note 18(ii))	(4,125,282)	(2,927,884)
<b>Total financial liabilities at amortised cost</b>	<b>9,264,345</b>	<b>4,730,574</b>
Trade and other payables are non-interest bearing and are normally settled on 30 to 60 days terms (2021: 30 to 60 days).		
(i) Ultimate holding company and related corporations		
The trade balances arose from normal trade transactions. They are unsecured, interest-free and repayable on normal trading terms.		
(ii) Contract liabilities		
These represent advances received and receivable upon signing of long term contracts and the undue proportion of the annual maintenance contracts. These are not included in the profit or loss.		
(iii) Advances from third parties		
These represent trade advances received which will be used to set off against future sales contracts with customers.		
Reconciliation of movements of liabilities to cash flows arising from financing activities:		
<b>Advances-</b>		
<b>Related corporation</b>		
Balance at the beginning of the year	-	3,567,793
Changes from financing cash flow:		
Repayment of the advances	-	(3,567,793)
Balance at the end of the year	-	-
<b>19 OTHER PAYABLES AND ACCRUALS</b>		
These include the following:-		
Other payables:-		
Third parties	3,523,180	453,311
Related corporations	5,937	-
	<b>3,529,117</b>	<b>453,311</b>
Accrued for:-		
Performance bonus	123,901	67,191
Staff benefits payable	148,808	72,067
Other operating expenses	615,774	361,155
	<b>888,483</b>	<b>500,413</b>
	<b>4,417,600</b>	<b>953,724</b>

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)  
FOR THE YEAR ENDED 31 MARCH 2022

	2022 S\$	2021 S\$
<b>20 BORROWINGS</b>		
Related corporations	700,000	-
	<u>700,000</u>	<u>-</u>

The Company entered into unsecured short-term loan facility agreement with HCL Singapore Pte. Ltd. for an amount of SGD 700,000. This loan is intended for the Company working capital and will be payable on demand with interest of LIBOR rate + 100 bps per annum.

**21 LEASES**

**As Lessee**

The Company leases various IT equipment and office premises under non-cancellable lease agreements. The leases have varying terms, escalation clauses and renewal rights.

**(a) Short-term lease**

The lease entered into by the Company is in the nature of short term lease for which the Company has elected the option of not recognising the right-of-use assets and associated lease liabilities. All the rentals relating to such short-term lease have been recognised in the Statement of Comprehensive Income. The total lease expense for the year ended 31 March 2022 amounts to S\$ 50,337.

**(b) Right-of-use assets**

Particulars	IT equipment S\$	Total S\$
Balance as at 1 April 2021	-	-
Additions to right-of-use assets	64,261	64,261
Depreciation charge for the year	(14,104)	(14,104)
Translation differences	474	474
<b>Balance as at 31 March 2022</b>	<u><b>50,631</b></u>	<u><b>50,631</b></u>

**(c) Lease liabilities**

Current	21,553	-
Non current	25,913	-
	<u>47,466</u>	<u>-</u>

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	2022 S\$	2021 S\$
Balance as at 1 April	-	-
Additions to lease liabilities	64,261	-
Interest expenses on lease liabilities	2,349	-
Interest paid on lease liabilities	(2,349)	-
Payment of lease liabilities	(16,795)	-
<b>Balance as at 31 March</b>	<u><b>47,466</b></u>	<u><b>-</b></u>

The following table presents a maturity analysis of expected undiscounted cash flows for lease liabilities as on 31 March:

	2022 S\$	2021 S\$
Not later than one year	22,634	-
Later than one year but within two years	16,275	-
Later than two year but within three years	8,360	-
Later than three year but within four years	1,878	-
	<u>49,147</u>	<u>-</u>
Less: Imputed Interest	(1,681)	-
Total lease liabilities	<u>47,466</u>	<u>-</u>

**(d) Amounts recognised in profit or loss**

Interest on lease liabilities	2,349	-
Depreciation on right of use assets	14,104	-

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)  
FOR THE YEAR ENDED 31 MARCH 2022

	2022 S\$	2021 S\$
<b>22 CAPITAL AND RESERVES</b>		
<b>Share capital</b>		
Issued and fully paid:		
100,000 (2020: 100,000) ordinary shares	100,000	100,000
All issued ordinary shares are fully paid.		
Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.		
<b>Foreign currency translation reserve</b>		
The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of the branches whose functional currency is different from that of the Company presentation currency.		
<b>23 DIVIDEND PAID</b>		
Interim dividend for the year 2021-2022 at S\$ 8 per share was paid on 28 June 2021	800,000	-
Interim dividend for the year 20210-2021 at S\$ 13 per share was paid on 18 February 2021	-	1,300,000
<b>24 RELATED CORPORATION TRANSACTIONS</b>		
In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the group and related parties at terms mutually agreed between the parties concerned :		
<b>Income:-</b>		
Service sales to		
- ultimate holding company	807,630	77,382
- related corporations	3,739,484	3,573,880
Interest income		
- related corporations	5,937	18,965
<b>Expenditure:-</b>		
Services rendered by:-		
- ultimate holding company	(6,519,939)	(5,553,797)
- related corporations	(672,959)	(362,532)
Expenses paid on behalf of the Company by the:-		
- ultimate holding company	-	-
- related corporations	-	(28,845)

Outstanding balances at 31 March 2022, arising from the above transactions are disclosed in Notes 13 and 18 to the financial statements.

**25 FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES**

The Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk. The board of directors of the Company and ultimate holding company reviews and agrees policies and procedures for the management of these risks, which are executed by the local directors and the financial officers of the Company and ultimate holding company.

The undernoted sections provide details regarding the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)  
FOR THE YEAR ENDED 31 MARCH 2022

25 FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (continued)

(a) Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets including cash and cash equivalents, the Company minimises the credit risk by dealing exclusively with high credit rating counterparties.

The Company's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Company trades only with recognised and creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis resulting in the Company's exposure to bad debts are being insignificant.

Exposure to credit risk

At the reporting date, the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position as disclosed under Note 13 to the financial statements.

No collateral is held for these receivables as these receivables are considered to be reputable and credit worthy.

Credit risk concentration profile

The Company determines concentrations of credit risk by monitoring the country profile of its trade and other receivables on an ongoing basis. The credit risk concentration profile of the Company's trade and other receivables at the reporting date is as follows:-

	2022		2021	
	S\$	%	S\$	%
Singapore	5,308	0%	7,877	0%
United States of America	872,095	17%	108,779	2%
Australia	4,599	0%	195	0%
Japan	1,430,172	28%	1,190,584	21%
Korea	2,859,930	55%	4,265,613	77%
India	-	0%	719	0%
	<u>5,172,104</u>	<u>100%</u>	<u>5,573,767</u>	<u>100%</u>

\*Excluding prepayment and deferred cost of S\$ 8,228,706 (2021: S\$ 3,055,573)

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with a good payment record with the Company. None of the receivables from related corporations are past due or impaired.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 13 (trade receivables).

Non-trade amounts due from related corporations

The Company held other receivables from its related corporations (see note 14). These balances are lent to related corporations to satisfy short term funding requirements. Based on an assessment of qualitative and quantitative factors that are indicative of the risk of default (including but not limited to audited financial statements, management accounts and cash flow projections, if available, and applying experienced credit judgement), these exposures are considered to have low credit risk. Therefore impairment on these balances has been measured on the 12 month expected credit loss basis. The amount of the allowance on other receivables from its related corporations are negligible.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)  
FOR THE YEAR ENDED 31 MARCH 2022

25 FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (continued)

(a) Credit Risk (continued)

Cash and cash equivalents

The Company held cash and cash equivalents with reputable banks.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Company consider that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents is negligible.

(b) Market Risk

(i) Market Price Risk

Market price risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(ii) Foreign Currency Risk

The branches of the Company have transactional currency exposures arising from sales and purchases that are denominated in a currency other than the functional currencies (Japanese Yen and Korean Won) of the branches.

The Company's currency exposure are as follows:-

	<b>2022</b>			
	<b>USD stated in S\$</b>	<b>JPY stated in S\$</b>	<b>KRW stated in S\$</b>	<b>AUD stated in S\$</b>
<u>Financial Assets</u>				
Trade and other receivables	872,095	1,402,864	2,861,433	4,599
Other financial assets	-	27,308	11,904	-
Cash and cash equivalents	-	935,150	4,421,925	-
Total financial assets	<u>872,095</u>	<u>2,365,322</u>	<u>7,295,262</u>	<u>4,599</u>
<u>Financial Liabilities</u>				
Trade and other payables	7,447,188	227,410	4,460,479	35,719
Other financial liabilities	524,824	2,029	348,508	-
Total financial liabilities	<u>7,972,012</u>	<u>229,439</u>	<u>4,808,987</u>	<u>35,719</u>
Net currency exposure	<u>(7,099,917)</u>	<u>2,135,883</u>	<u>2,486,275</u>	<u>(31,120)</u>

	<b>2021</b>			
	<b>USD stated in S\$</b>	<b>JPY stated in S\$</b>	<b>KRW stated in S\$</b>	<b>AUD stated in S\$</b>
<u>Financial Assets</u>				
Trade and other receivables	108,779	1,160,764	4,252,923	195
Other financial assets	-	29,820	12,691	-
Cash and cash equivalents	-	663,573	2,860,424	-
Total financial assets	<u>108,779</u>	<u>1,854,157</u>	<u>7,126,038</u>	<u>195</u>
<u>Financial Liabilities</u>				
Trade and other payables	146,447	256,491	6,485,192	105,914
Other financial liabilities	270,771	(177,011)	406,351	-
Total financial liabilities	<u>417,218</u>	<u>79,480</u>	<u>6,891,543</u>	<u>105,914</u>
Net currency exposure	<u>(308,439)</u>	<u>1,774,677</u>	<u>234,495</u>	<u>(105,719)</u>

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)  
FOR THE YEAR ENDED 31 MARCH 2022

25 FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (continued)

(b) Market Risk (continued)

(ii) Foreign Currency Risk

Sensitivity analysis for foreign currency risks

A 3% strengthening of Singapore dollar against the foreign currencies denominated balances as at the reporting date would decrease profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	2022 S\$	2021 S\$
USD	(212,998)	(9,253)
JPY	64,076	53,240
KRW	74,588	7,035
AUD	(934)	(3,172)

(iii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk on its interest bearing asset (loans taken from related corporations).

The sensitivity of the statement of comprehensive income is the effect of the assumed changes in interest rates on the Company's comprehensive income/(loss) for one year, based on the floating rate financial assets held at 31 March 2022.

The following table demonstrates the sensitivity of the statement of comprehensive income to reasonably possible changes in interest rates, with all other variables held constant. There is no impact on the Company's equity.

	Increase/(decrease) in basis points	Effect on Comprehensive Income/(Loss)
2022	50 (50)	(35,000) 35,000
2021	50 (50)	- -

(c) Liquidity Risk

The Company maintains sufficient cash and cash equivalents, and internally generated cash flows to finance their activities. The Directors manage the liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available. However, the Company does not maintain any financial asset to manage its liquidity risk.

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Cash Flows		
	<u>One year or less</u>	<u>Two year or more</u>	<u>Total</u>
	S\$	S\$	S\$
<b>2022</b>			
Trade payables	8,969,106	2,920	8,972,026
Other payables and accruals	4,417,600	-	4,417,600
Lease liability	22,634	26,513	49,147
Borrowings	700,000	-	700,000
Total	14,109,340	29,433	14,138,773
<b>2021</b>			
Trade payables	6,700,588	4,146	6,704,734
Other payables and accruals	953,724	-	953,724
Total	7,654,312	4,146	7,658,458

**NOTES TO THE FINANCIAL STATEMENTS**  
**(Continued)**  
**FOR THE YEAR ENDED 31 MARCH 2022**

**25 FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (continued)**

(d) Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables, provisions and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. Their fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

Long term financial assets and financial liabilities approximate their fair value due to interest rates that approximate market rates charged on those financial assets and financial liabilities.

**26 CAPITAL MANAGEMENT**

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholder or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 March 2022 and 31 March 2021.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, loans and borrowings, trade and other payables, other liabilities, less cash and short-term deposits. Capital includes total equity.

	<u>2022</u>	<u>2021</u>
		<b>S\$</b>
Trade payables - current (Note 18)	8,969,106	6,700,588
Trade payables- non current (Note 18)	2,920	4,146
Other payables and accruals (Note 19)	4,417,600	953,724
Lease liabilities (Notes 21)	47,466	-
Borrowings (Notes 20)	700,000	-
Less: - Cash and cash equivalents (Note 12)	(5,691,414)	(4,232,463)
<b>Net debt</b>	<u>8,445,679</u>	<u>3,425,995</u>
Total equity	5,598,761	6,006,550
<b>Total Capital</b>	<u>5,598,761</u>	<u>6,006,550</u>
<b>Capital and net debt</b>	<u>14,044,440</u>	<u>9,432,545</u>
<b>Gearing ratio (%)</b>	<u>60%</u>	<u>36%</u>

**27 DEVELOPMENT OF COVID-19 OUTBREAK AND ITS CORRESPONDING IMPACT ON THE COMPANY**

COVID-19 outbreak has brought about an unprecedented challenge for many entities, with increased uncertainty in the global economy. As the situation is still evolving, the Company is therefore unable to provide a quantitative estimate of the potential impact of this outbreak on the Company. The Company continues to monitor and evaluate any possible impact on the Company's business and will consider implementation of various measures to mitigate the effects arising from the COVID-19 situation. Based on management's latest assessment, there is no indicator that the going concern assumption used by the Company in preparing the financial statement is inappropriate.