

HCL Technologies Malaysia Sdn. Bhd.
(Registration No. 199701038311 (453811-P))
(Incorporated in Malaysia)
and its subsidiary

**Financial statements for the year
ended 31 December 2022**

HCL Technologies Malaysia Sdn. Bhd.

(Registration No. 199701038311 (453811-P))

(Incorporated in Malaysia)

and its subsidiary

Directors' report for the year ended 31 December 2022

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2022.

Principal activities

The Company is principally engaged in provision of software services, business process sourcing services and information technology infrastructure services, whilst the principal activities of the subsidiary are as stated in Note 6 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Ultimate holding company

The Company is a subsidiary of HCL Technologies Limited, which is incorporated in India and listed on The Stock Exchange, Mumbai, National Stock Exchange of India Ltd. and regarded by the Directors as the Company's ultimate holding company during the financial year and until the date of this report.

Subsidiary

The details of the Company's subsidiary are disclosed in Note 6 to the financial statements.

Results

	Group RM	Company RM
Profit for the year	<u>32,404,655</u>	<u>10,534,129</u>

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review, except as disclosed in notes to the financial statements.

Dividends

Since the end of the previous financial year, the Company paid a preference dividend of RM0.98 per preference share totaling RM 11,800,000 in respect of the financial year ended 31 December 2022. Dividend of RM 9,600,000 was declared on 11 March 2022 and paid on 14 March 2022 and Dividend of RM 2,200,000 was declared on 06 June 2022 and paid on 13 June 2022.

The Directors do not recommend any final dividend to be paid for the financial year under review.

Directors of the Company

Directors who served during the financial year until the date of this report are:

Awalludin Bin Nasir	
Sundaram Sridharan	
Shiv Kumar Walia	
Goutam Rungta	(Appointed on 20 January 2022)
Subramanian Gopalakrishnan	(Resigned on 20 January 2022)

Directors' interest in shares

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly owned subsidiary) of those who were Directors at financial year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 1.1.2022	Bought	Sold	At 31.12.2022
Interests in the ultimate holding company:				
Sundaram Sridharan	24,208	-	-	24,208

None of the other Directors holding office on 31 December 2022 had any interest in the shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those shown below) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

The directors' benefits paid to or receivable by directors in respect of the financial year ended 31 December 2022 is RM12,000 (2021: RM12,000).

There were no arrangements during and at the end of the financial year which had the object of enabling 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.

Issue of shares and debentures

There were no changes in the issued and paid-up capital of the Company during the financial year and no debentures issued during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Indemnity and insurance costs

There was no indemnity given to or insurance effected for any Director, officer or auditor of the Company during the financial year.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2022 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

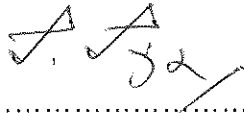
Registration No. 199701038311(453811-P)

Auditors

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration of the Group and of the Company during the year are RM187,090 and RM100,000 respectively.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:



.....
Sundaram Sridharan
Director



.....
Shiv Kumar Wallia
Director

Date: 30 June 2023

HCL Technologies Malaysia Sdn. Bhd.
 (Registration No. 199701038311 (453811-P))
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Statements of financial position as at 31 December 2022

	Note	Group		Company	
		2022	2021	2022	2021
		RM	RM	RM	RM
Assets					
Plant and equipment	3	40,628,938	40,648,788	9,507,478	10,588,020
Right-of-use assets	4	7,758,319	5,650,700	1,917,383	2,533,456
Goodwill	5	9,882,260	10,164,186	275,983	275,983
Intangible assets	5	958,687	1,195,742	-	-
Investment in a subsidiary	6	-	-	77,149,146	77,149,146
Deferred tax assets	7	4,439,667	5,073,995	-	-
Trade and other receivables	8	21,537,966	22,630,917	1,202,458	1,007,168
Total non-current assets		<u>85,205,837</u>	<u>85,364,328</u>	<u>90,052,448</u>	<u>91,553,773</u>
Inventories	9	6,653,838	4,913,294	1,375,051	46,515
Contract assets	10	579,964	230,805	579,964	230,805
Trade and other receivables	8	231,330,237	192,626,556	49,517,654	46,580,053
Current tax assets		-	-	245,446	-
Cash and cash equivalents	11	221,789,159	190,009,947	14,291,989	21,493,358
Total current assets		<u>460,353,198</u>	<u>387,780,602</u>	<u>66,010,104</u>	<u>68,350,731</u>
Total assets		<u>545,559,035</u>	<u>473,144,930</u>	<u>156,062,552</u>	<u>159,904,504</u>

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Statements of financial position as at 31 December 2022 (continued)

	Note	Group		Company	
		2022	2021	2022	2021
		RM	RM	RM	RM
Equity					
Ordinary shares	12	68,096,463	68,096,463	68,096,463	68,096,463
Redeemable convertible cumulative preference shares	12	12,000,000	12,000,000	12,000,000	12,000,000
Reserves		15,969	15,969	-	-
Translation reserve		1,346,117	5,105,607	-	-
Retained earnings		97,978,993	77,374,338	45,058,769	46,324,640
Equity attributable to owner of the Company		179,437,542	162,592,377	125,155,232	126,421,103
Liabilities					
Lease liabilities		6,073,668	6,509,167	578,741	1,347,612
Contract liabilities	10	2,648,848	2,900,785	24,636	-
Employee benefits	13	1,018,226	928,423	1,018,226	928,423
Deferred tax liabilities	7	-	-	406,435	546,414
Total non-current liabilities		9,740,742	10,338,375	2,028,038	2,822,449
Lease liabilities		9,982,597	10,258,247	1,391,109	1,228,596
Contract liabilities	10	3,803,402	3,722,897	924,077	1,713,452
Trade and other payables	14	337,788,199	278,044,777	25,845,434	26,895,736
Current tax liabilities		780,251	4,788,461	-	285,870
Employee benefits	13	4,026,302	3,399,796	718,662	537,298
Total current liabilities		356,380,751	300,214,178	28,879,282	30,660,952
Total liabilities		366,121,493	310,552,553	30,907,320	33,483,401
Total equity and liabilities		545,559,035	473,144,930	156,062,552	159,904,504

The accompanying notes form an integral part of these financial statements.

HCL Technologies Malaysia Sdn. Bhd.

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Statements of profit or loss and other comprehensive income for the year ended 31 December 2022

	Note	Group		Company	
		2021	2022	2021	2022
Revenue	15	427,258,224	405,673,039	161,675,494	148,143,614
Cost of sales		(334,988,547)	(323,964,770)	(129,738,318)	(116,043,392)
Gross profit		92,269,677	81,708,269	31,937,176	32,100,222
Other income		320,982	7,754,558	45,880	-
Selling and marketing expenses		(17,139,433)	(9,260,620)	(7,204,404)	(4,227,844)
Administrative expenses		(13,591,320)	(7,699,798)	(4,923,285)	(5,478,329)
Net (impairment)/reversal of impairment loss on financial instruments	19	(941,798)	316,638	246,335	(9,319)
Other operating expenses		(20,357,899)	(25,932,340)	(6,225,608)	(5,948,240)
Results from operating activities		40,560,209	46,886,707	13,876,094	16,436,490
Finance income	16	2,399,518	1,236,932	36,761	29,831
Finance costs	17	(422,992)	(625,470)	(101,916)	(148,339)
Profit before tax		42,536,735	47,498,169	13,810,939	16,317,982
Tax expense	18	(10,132,080)	(13,025,354)	(3,276,810)	(5,427,407)
Profit for the year	19	32,404,655	34,472,815	10,534,129	10,890,575
Other comprehensive (expense)/income, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for a foreign operation		(3,759,490)	6,198,169	-	-
Other comprehensive (expense)/income for the year, net of tax		(3,759,490)	6,198,169	-	-
Total comprehensive income for the year		28,645,165	40,670,984	10,534,129	10,890,575

The accompanying notes form an integral part of these financial statements.

HCL Technologies Malaysia Sdn. Bhd.
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Consolidated statement of changes in equity for the year ended 31 December 2022

	/-----Non-distributable-----/				Distributable	
	Ordinary shares RM	Redeemable convertible cumulative preference shares ("RCCPS") RM	Reserves RM	Translation reserve RM	Retained earnings RM	Total RM
Group						
At 1 January 2021	68,096,463	12,000,000	15,969	(1,092,562)	52,901,523	131,921,393
Foreign currency translation differences for a foreign operation	-	-	-	6,198,169	-	6,198,169
Total other comprehensive income for the year	-	-	-	6,198,169	-	6,198,169
Profit for the year	-	-	-	-	34,472,815	34,472,815
Total comprehensive income for the year	-	-	-	6,198,169	34,472,815	40,670,984
Distribution to owner of the Company:						
Preference dividend paid (Note 20)	-	-	-	-	(10,000,000)	(10,000,000)
Total transactions with owner of the Company	-	-	-	-	(10,000,000)	(10,000,000)
At 31 December 2021	68,096,463	12,000,000	15,969	5,105,607	77,374,338	162,592,377
	Note 12.1	Note 12.3		Note 12.2		

HCL Technologies Malaysia Sdn. Bhd.

(Registration No. 199701038311 (453811-P))

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Consolidated statement of changes in equity for the year ended 31 December 2022 (continued)

	/-----Non-distributable-----/ Distributable				
	Ordinary shares RM	Redeemable convertible cumulative preference shares ("RCCPS") RM	Reserves RM	Translation reserve RM	Retained earnings RM
Group					
At 1 January 2022	68,096,463	12,000,000	15,969	5,105,607	77,374,338
Foreign currency translation differences for a foreign operation	-	-	-	(3,759,490)	-
Total other comprehensive expense for the year	-	-	-	(3,759,490)	-
Profit for the year	-	-	-	-	32,404,655
Total comprehensive income for the year	-	-	-	(3,759,490)	32,404,655
<i>Distribution to owner of the Company:</i>					
Preference dividend paid (Note 20)	-	-	-	-	(11,800,000)
Total transactions with owner of the Company	-	-	-	-	(11,800,000)
At 31 December 2022	68,096,463	12,000,000	15,969	1,346,117	97,978,993
	Note 12.1	Note 12.3		Note 12.2	

The accompanying notes form an integral part of these financial statements.

HCL Technologies Malaysia Sdn. Bhd.
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Statement of changes in equity for the year ended 31 December 2022

	/-----Non-distributable-----/ Redeemable		Distributable	
	Ordinary shares RM	convertible cumulative preference shares ("RCCPS") RM	Retained earnings RM	Total RM
Company				
At 1 January 2021	68,096,463	12,000,000	45,434,065	125,530,528
Profit and total comprehensive income for the year	-	-	10,890,575	10,890,575
<i>Distribution to owner of the Company:</i>				
Preference dividend paid (Note 20)	-	-	(10,000,000)	(10,000,000)
Total transactions with owner of the Company	-	-	(10,000,000)	(10,000,000)
At 31 December 2021/1 January 2022	68,096,463	12,000,000	46,324,640	126,421,103
Profit and total comprehensive income for the year	-	-	10,534,129	10,534,129
<i>Distribution to owner of the Company:</i>				
Preference dividend paid (Note 20)	-	-	(11,800,000)	(11,800,000)
Total transactions with owner of the Company	-	-	(11,800,000)	(11,800,000)
At 31 December 2022	68,096,463	12,000,000	45,058,769	125,155,232
	Note 12.1	Note 12.3		

The accompanying notes form an integral part of these financial statements.

HCL Technologies Malaysia Sdn. Bhd.

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Statements of cash flows for the year ended 31 December 2022

	Note	Group		Company	
		2022 RM	2021 RM	2022 RM	2021 RM
Cash flows from operating activities					
Profit before tax		42,536,735	47,498,169	13,810,939	16,317,982
<i>Adjustments for:</i>					
Gain on derecognition of lease		(3,987)	-	(3,987)	-
Gain on lease modification		(28,636)	-	(28,636)	-
Depreciation of plant and equipment	3	16,098,942	18,464,062	4,120,954	4,215,666
Depreciation of right-of-use assets	4	5,370,587	5,448,923	1,356,493	1,481,105
Amortisation of intangible assets	5	207,990	324,490	-	-
Finance income	16	(2,399,518)	(1,236,932)	(36,761)	(29,831)
Finance costs	17	422,992	625,470	101,916	148,339
Net impairment/(reversal of) loss on trade receivables	19	941,798	(316,638)	(246,335)	9,319
(Reversal)/Provision for slow moving inventories	19	(19,008)	1,484,916	(123,848)	1,236,807
Unrealised loss/(gain) on foreign currency exchange differences	19	5,663,179	(6,408,436)	164,562	6,886
Plant and equipment written off	19	676,287	5,939,572	46,197	246,967
Operating profit before working capital changes		69,467,361	71,823,596	19,161,494	23,633,240
Change in inventories		(1,873,935)	(595,300)	(1,204,688)	592,625
Change in trade and other payables		70,358,028	90,985,918	(1,153,054)	2,231,536
Change in trade and other receivables		(44,221,274)	5,951,615	(2,948,366)	(7,647,369)
Change in contract assets		(349,159)	(219,663)	(349,159)	(230,805)
Change in contract liabilities		(13,274)	3,739,189	(764,739)	(752,759)
Change in employee benefits		810,968	1,931,088	271,167	10,015
Cash generated from operations		94,178,715	173,616,443	13,012,655	17,836,483
Interest received		2,399,518	1,236,932	36,761	29,831
Interest paid		(349,197)	(539,551)	(78,914)	(114,868)
Tax paid		(13,605,558)	(11,737,695)	(3,948,105)	(3,246,052)
Net cash from operating activities		82,623,478	162,576,129	9,022,397	14,505,394

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Statements of profit or loss and other comprehensive income for the year ended 31 December 2022

	Note	Group		Company	
		2022 RM	2021 RM	2022 RM	2021 RM
Revenue	15	427,258,224	405,673,039	161,675,494	148,143,614
Cost of sales		(334,988,547)	(323,964,770)	(129,738,318)	(116,043,392)
Gross profit		92,269,677	81,708,269	31,937,176	32,100,222
Other income		320,982	7,754,558	45,880	-
Selling and marketing expenses		(17,139,433)	(9,260,620)	(7,204,404)	(4,227,844)
Administrative expenses		(13,591,320)	(7,699,798)	(4,923,285)	(5,478,329)
Net (impairment)/reversal of impairment loss on financial instruments	19	(941,798)	316,638	246,335	(9,319)
Other operating expenses		(20,357,899)	(25,932,340)	(6,225,608)	(5,948,240)
Results from operating activities		40,560,209	46,886,707	13,876,094	16,436,490
Finance income	16	2,399,518	1,236,932	36,761	29,831
Finance costs	17	(422,992)	(625,470)	(101,916)	(148,339)
Profit before tax		42,536,735	47,498,169	13,810,939	16,317,982
Tax expense	18	(10,132,080)	(13,025,354)	(3,276,810)	(5,427,407)
Profit for the year	19	32,404,655	34,472,815	10,534,129	10,890,575
Other comprehensive (expense)/income, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for a foreign operation		(3,759,490)	6,198,169	-	-
Other comprehensive (expense)/income for the year, net of tax		(3,759,490)	6,198,169	-	-
Total comprehensive (expense)/income for the year		28,645,165	40,670,984	10,534,129	10,890,575

The accompanying notes form an integral part of these financial statements.

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Statements of cash flows for the year ended 31 December 2022 (continued)

Cash outflows for leases as lessee

	Note	Group		Company	
		2022	2021	2022	2021
		RM	RM	RM	RM
Included in net cash from operating activities:					
Payment relating to short-term leases	19	-	171,155	-	156
Interest paid in relation to lease liabilities	17	349,197	539,551	78,914	114,868
		<u>13,653,758</u>	<u>5,980,806</u>	<u>1,314,155</u>	<u>1,487,303</u>
Included in net cash from financing activities:					
Payment of lease liabilities		<u>14,002,955</u>	<u>6,691,512</u>	<u>1,393,069</u>	<u>1,602,327</u>
Total cash outflows for leases					

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Statements of cash flows for the year ended 31 December 2022 (continued)

Reconciliation of movement of liabilities to cash flows arising from financing activities

Group	At 1 January 2021 RM	Net changes from financing cash flows RM	Acquisition of new lease RM	Foreign exchange movement RM	At 31 December 2021/ January 2022 RM	Net changes from financing cash flows RM	Acquisition of new lease RM	Derecognition RM	Modification RM	Foreign exchange movement RM	At 31 December 2022 RM
Lease liabilities	11,815,925	(5,980,806)	10,261,204	671,091	16,767,414	(13,653,758)	13,938,654	(244,189)	(339,821)	(412,035)	16,056,265
Total											
liabilities from financing activities	11,815,925	(5,980,806)	10,261,204	671,091	16,767,414	(13,653,758)	13,938,654	(244,189)	(339,821)	(412,035)	16,056,265

Company	At 1 January 2021 RM	Net changes from financing cash flows RM	Acquisition of new lease RM	At 31 December 2021/ 1 January 2022 RM	Net changes from financing cash flows RM	Acquisition of new lease RM	Derecognition RM	Modification RM	At 31 December 2022 RM
Lease liabilities	3,651,028	(1,487,303)	412,483	2,576,208	(1,314,155)	1,291,807	(244,189)	(339,821)	1,969,850
Total liabilities from financing activities	3,651,028	(1,487,303)	412,483	2,576,208	(1,314,155)	1,291,807	(244,189)	(339,821)	1,969,850

The accompanying notes form an integral part of these financial statements.

HCL Technologies Malaysia Sdn. Bhd.

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Notes to the financial statements

HCL Technologies Malaysia Sdn. Bhd. is a private limited liability company, incorporated and domiciled in Malaysia. The address of the principal place of business and registered office of the Company is as follows:

Principal place of business and registered office

L5E-1B, Hive 5, Taman Teknologi Mranti,
Lebuhraya Puchong-Sg. Besi,
Bukit Jalil, 57000 Kuala Lumpur,
W.P. Kuala Lumpur

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2022 comprise the Company and its subsidiary (together referred to as the "Group" and individually referred to as "Group entities").

The Company is principally engaged in provision of software services, business process sourcing services and information technology infrastructure services, whilst the principal activities of the subsidiary are as stated in Note 6 to the financial statements.

The immediate holding company is Axon Group Ltd., a company incorporated in the United Kingdom. The ultimate holding company is HCL Technologies Limited, which is incorporated in India and listed on The Stock Exchange, Mumbai, National Stock Exchange of India Ltd.

The financial statements were authorised for issue by the Board of Directors on 30 June 2023.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are the accounting standards and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contracts* – Initial application of MFRS 17 and MFRS 9 – *Comparative Information*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction and International Tax Reform – Pillar Two Model Rules*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2024

- Amendment to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
- Amendment to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 107, *Statement of Cash Flows* and MFRS 7, *Financial Instruments: Disclosures – Supplier Finance Arrangements*

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company plan to apply the abovementioned accounting standards, interpretations and amendments:

- from the annual period beginning on 1 January 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17 and amendments to MFRS 17 which are not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2024 for the amendments that are effective for annual periods beginning on or after 1 January 2024.

The initial application of the abovementioned accounting standard and amendments are not expected to have any material financial impact to the current period and prior period financial statements of the Group and the Company.

1. Basis of preparation (continued)

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All the financial information is presented in RM, unless otherwise stated.

(d) Use of estimates and judgements

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

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

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

- Note 4 – extension options and incremental borrowing rate in relation to leases
- Note 5 – measurement of the recoverable amount of cash-generating unit

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

2. Significant accounting policies (continued)

(b) Foreign currency (continued)

(ii) Operations denominated in functional currencies other than Ringgit Malaysia (continued)

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

(c) Financial instruments

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

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

(ii) Financial instrument categories and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or 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 of the business model.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Amortised cost

Amortised cost category comprises financial assets that are 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. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(j)(i)) where the effective interest rate is applied to the amortised cost.

All financial assets are subject to impairment assessment (see Note 2(j)(i)).

Financial liabilities

Amortised cost

Financial liabilities categorised as amortised cost are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

(iii) Derecognition

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Derecognition (continued)

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(d) Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

The gain or loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and is recognised net within "other income" and "other operating expenses" respectively in profit or loss.

2. Significant accounting policies (continued)

(d) Plant and equipment (continued)

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment from the date that they are available for use. Plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

- | | |
|--------------------------|-------------|
| • Leasehold improvements | 4 years |
| • Office equipment | 5 years |
| • Computer equipment | 4 - 5 years |
| • Computer software | 3 years |

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period and adjusted as appropriate.

2. Significant accounting policies (continued)

(e) Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Company assess whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group and the Company allocate the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group or the Company is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

(a) As a lessee

The Group and the Company recognise 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.

2. Significant accounting policies (continued)

(e) Leases (continued)

(ii) Recognition and initial measurement (continued)

(a) As a lessee

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 respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

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

- fixed payments, including in-substance fixed payments less any incentives receivable;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group or the Company is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group or the Company is reasonably certain not to terminate early.

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group and the Company recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

When the Group or 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 Group or 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.

2. Significant accounting policies (continued)

(e) Leases (continued)

(ii) Recognition and initial measurement (continued)

(b) As a lessor (continued)

If an arrangement contains lease and non-lease components, the Group or the Company applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

The Group or the Company recognises assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group or the Company uses the interest rate implicit in the lease to measure the net investment in the lease.

When the Group or the Company is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease 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 Group or the Company applies the exemption described above, then it classifies the sublease as an operating lease.

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of plant 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.

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

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2. Significant accounting policies (continued)

(e) Leases (continued)

(iii) Subsequent measurement (continued)

(b) As a lessor

The Group or the Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue".

The Group or the Company recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the lease. The Group aims to allocate finance income over the lease term on a systematic and rational basis. The Group applies the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income. The net investment in the lease is subject to impairment requirements in MFRS 9, *Financial Instruments* (see note 2(j)(ii)).

(f) Intangible assets

(i) Goodwill

Goodwill arising on business combinations is measured at cost less any accumulated impairment losses.

(ii) Other intangible assets

Intangible assets, other than goodwill, that are acquired by the Group which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill, is recognised in profit or loss as incurred.

(iv) Amortisation

Goodwill with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Other intangible assets are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

2. Significant accounting policies (continued)

(f) Intangible assets (continued)

(iv) Amortisation (continued)

The estimated useful lives for the current and comparative periods are as follows:

- Customers relationship 10 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Contract asset/Contract liability

A contract asset is recognised when the Group's or the Company's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, *Financial Instruments* (see Note 2(j)(i)).

A contract liability is stated at cost and represents the obligation of the Group or the Company to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments.

2. Significant accounting policies (continued)

(j) Impairment

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for cash and bank balance for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider 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 Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Company assess 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.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or 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 Group's or the Company's procedures for recovery amounts due.

2. Significant accounting policies (continued)

(j) Impairment (continued)

(ii) Other assets

The carrying amounts of other assets (except for inventories, contract assets, lease receivables, and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill that has indefinite useful lives, the recoverable amount is estimated each period at the same time.

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

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

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) 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 the end of each reporting period 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 since the last impairment loss was recognised. 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. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

2. Significant accounting policies (continued)

(k) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Ordinary shares

Ordinary shares are classified as equity.

(ii) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity.

Preference share capital is classified as financial liability if it is redeemable on a specific date or at the option of the equity holders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

(l) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits obligations in respect of salaries, annual bonuses, paid annual leave and sick leave 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 Group or 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.

(ii) State plans

The Group's and the Company's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) Defined benefit plans

The Group's and the Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

2. Significant accounting policies (continued)

(l) Employee benefits (continued)

(iii) Defined benefit plans (continued)

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group and the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group and the Company determine the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

Net interest expense and other expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group and the Company recognise gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(m) Revenue and other income

(i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

2. Significant accounting policies (continued)

(m) Revenue and other income (continued)

(i) Revenue (continued)

The Group or the Company transfers control of a good or service at a point in time unless one of the following overtime criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
- (b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

As a practical expedient, if the Group or the Company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Group's or the Company's performance completed to date, the Group or the Company may recognise revenue in the amount to which the Group or the Company has right to invoice.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(n) Income tax

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

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

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

2. Significant accounting policies (continued)

(n) Income tax (continued)

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

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

(o) Fair value measurements

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

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

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

3. Plant and equipment

Group	Note	Leasehold improvements	Office equipment	Computer equipment	Computer software	Capital work in progress	Total
Cost		RM	RM	RM	RM	RM	RM
At 1 January 2021		9,387,601	2,973,741	68,283,438	3,013,316	530,641	84,188,737
Additions		30,333	21,159	12,480,924	-	2,687,669	15,220,085
Written-off		-	-	(13,033,761)	(2,655,493)	-	(15,689,254)
Reclassification		-	(491,663)	3,077,746	-	(2,586,083)	-
Effect of movements in exchange rates		286,012	100,816	3,646,082	23,990	8,243	4,065,143
At 31 December 2021/1 January 2022		9,703,946	2,604,053	74,454,429	381,813	640,470	87,784,711
Additions		-	-	14,554,322	-	3,086,609	17,640,931
Written-off		(290,794)	(314,703)	(395,720)	-	(391,497)	(1,392,714)
Reclassification		53,426	97,953	2,990,498	-	(3,141,877)	-
Transfer from right-of-use assets	4	-	-	20,310	-	-	20,310
Effect of movements in exchange rates		(128,403)	(37,851)	(1,983,843)	(10,720)	(1,750)	(2,162,567)
At 31 December 2022		9,338,175	2,349,452	89,639,996	371,093	191,955	101,890,671
Depreciation							
At 1 January 2021		4,261,016	950,522	28,406,949	2,980,055	-	36,598,542
Depreciation charge for the year		1,336,638	308,374	16,789,897	29,153	-	18,464,062
Written-off		-	-	(7,094,189)	(2,655,493)	-	(9,749,682)
Effect of movements in exchange rates		164,581	28,863	1,607,211	22,346	-	1,823,001
At 31 December 2021/1 January 2022		5,762,235	1,287,759	39,709,868	376,061	-	47,135,923
Depreciation charge for the year		1,290,755	334,032	14,468,428	5,727	-	16,098,942
Written-off		(290,794)	(314,548)	(111,085)	-	-	(716,427)
Transfer from right-of-use assets	4	-	-	1,294	-	-	1,294
Effect of movements in exchange rates		(105,752)	(20,166)	(1,121,386)	(10,695)	-	(1,257,999)
At 31 December 2022		6,656,444	1,287,077	52,947,119	371,093	-	61,261,733
Carrying amounts							
At 1 January 2021		5,126,585	2,023,219	39,876,489	33,261	530,641	47,590,195
At 31 December 2021/1 January 2022		3,941,711	1,316,294	34,744,561	5,752	640,470	40,648,788
At 31 December 2022		2,681,731	1,062,375	36,692,877	-	191,955	40,628,938

3. Plant and equipment (continued)

Company Cost	Leasehold improvements RM	Office equipment RM	Computer equipment RM	Computer software RM	Capital work in progress RM	Total RM
At 1 January 2021	5,200,358	1,380,131	14,948,637	2,661,298	530,641	24,721,065
Additions	-	-	-	-	2,687,669	2,687,669
Written-off	-	-	(1,080,208)	(2,655,493)	-	(3,735,701)
Reclassification	-	85,287	3,077,746	-	(3,163,033)	-
At 31 December 2021/1 January 2022	5,200,358	1,465,418	16,946,175	5,805	55,277	23,673,033
Additions	-	-	-	-	3,086,609	3,086,609
Written-off	(290,794)	(311,128)	(63,081)	-	-	(665,003)
Reclassification	53,426	97,953	2,990,498	-	(3,141,877)	-
At 31 December 2022	4,962,990	1,252,243	19,873,592	5,805	9	26,094,639
Depreciation						
At 1 January 2021	2,086,749	578,867	7,031,167	2,661,298	-	12,358,081
Depreciation charge for the year	570,409	143,268	3,501,989	-	-	4,215,666
Written-off	-	-	(833,241)	(2,655,493)	-	(3,488,734)
At 31 December 2021/1 January 2022	2,657,158	722,135	9,699,915	5,805	-	13,085,013
Depreciation charge for the year	578,177	163,333	3,379,444	-	-	4,120,954
Written-off	(290,794)	(310,973)	(17,039)	-	-	(618,806)
At 31 December 2022	2,944,541	574,495	13,062,320	5,805	-	16,587,161
Carrying amounts						
At 1 January 2021	3,113,609	801,264	7,917,470	-	530,641	12,362,984
At 31 December 2021/1 January 2022	2,543,200	743,283	7,246,260	-	55,277	10,588,020
At 31 December 2022	2,018,449	677,748	6,811,272	-	9	9,507,478

4. Right-of-use assets

Group	Note	Buildings RM	Computer and networking equipment RM	Total RM
At 1 January 2021		9,035,403	-	9,035,403
Addition		1,317,788	432,456	1,750,244
Depreciation		(5,364,858)	(84,065)	(5,448,923)
Effect of movement in exchange rates		313,576	400	313,976
At 31 December 2021/ 1 January 2022		5,301,909	348,791	5,650,700
Addition		7,903,811	303,334	8,207,145
Depreciation		(5,167,696)	(202,891)	(5,370,587)
Derecognition		(240,202)	-	(240,202)
Modification		(311,185)	-	(311,185)
Reclassification		19,712	(19,712)	-
Transfer to plant and equipment	3	-	(19,016)	(19,016)
Effect of movement in exchange rates		(158,451)	(85)	(158,536)
At 31 December 2022		7,347,898	410,421	7,758,319

Company		Buildings RM	Computer and networking equipment RM	Total RM
At 1 January 2021		3,602,078	-	3,602,078
Addition		-	412,483	412,483
Depreciation		(1,398,312)	(82,793)	(1,481,105)
At 31 December 2021/ 1 January 2022		2,203,766	329,690	2,533,456
Addition		988,473	303,334	1,291,807
Depreciation		(1,153,602)	(202,891)	(1,356,493)
Derecognition		(240,202)	-	(240,202)
Modification		(311,185)	-	(311,185)
Reclassification		19,712	(19,712)	-
At 31 December 2022		1,506,962	410,421	1,917,383

The Group leases buildings and computer and networking equipment that run between 2 to 3 years, with an option to renew the lease after that date.

The Company leases buildings and computer and networking equipment that run between 2 years and 3 years, with an option to renew the lease after that date.

4. Right-of-use assets (continued)

4.1 Extension options

Some leases of buildings contain extension options exercisable by the Group and the Company between 1 year to 2 years before the end of the non-cancellable contract period. Where applicable, the Group and the Company seek to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and the Company and not by the lessors. The Group and the Company assess at lease commencement whether it is reasonably certain to exercise the extension options. The Group and the Company reassess whether it is reasonably certain to exercise the option if there is a significant event or significant change in circumstances within its control.

As of 31 December 2022, the Group and the Company have included all potential future cash flows of exercising the extension option in the lease liabilities.

4.2 Significant judgements and assumptions in relation to lease

The Group and the Company assess at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. Group entities consider all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group and the Company also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. Group entities first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

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5. Goodwill and intangible assets

Group	Note	Goodwill RM	Customer relationship RM	Total RM
Cost				
At 1 January 2021		9,533,295	1,799,199	11,332,494
Effect of movements in exchange rates		630,891	122,616	753,507
At 31 December 2021/1 January 2022		10,164,186	1,921,815	12,086,001
Effect of movements in exchange rates		(281,926)	(54,794)	(336,720)
At 31 December 2022		9,882,260	1,867,021	11,749,281
Amortisation				
At 1 January 2021		-	369,457	369,457
Amortisation for the year	5.1	-	324,490	324,490
Effect of movements in exchange rates		-	32,126	32,126
At 31 December 2021/1 January 2022		-	726,073	726,073
Amortisation for the year	5.1	-	207,990	207,990
Effect of movements in exchange rates		-	(25,729)	(25,729)
At 31 December 2022		-	908,334	908,334
Carrying amounts				
At 1 January 2021		9,533,295	1,429,742	10,963,037
At 31 December 2021/ 1 January 2022		10,164,186	1,195,742	11,359,928
At 31 December 2022		9,882,260	958,687	10,840,947
Company				
Cost				
At 1 January 2021/31 December 2021/ 1 January 2022/31 December 2022		275,983	-	275,983
Carrying amounts				
At 1 January 2021/31 December 2021/ 1 January 2022/31 December 2022		275,983	-	275,983

5.1 Amortisation

The amortisation of customer relationship allocated to the amortisation expenses in other operating expenses.

5. Goodwill and intangible assets (continued)

5.2 Impairment testing for cash generating units ("CGU") containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	Group	
	2022 RM	2021 RM
Volvo Malaysia Information Technology ("IT") business	275,983	275,983
IBM business	9,888,203	9,257,312
Effect of movements in exchange rates	(281,926)	630,891
	<u>9,882,260</u>	<u>10,164,186</u>

The recoverable amount of the unit was based on its value in use, determined by discounting the future cash flows that generated from the business acquired. Value in use was computed based on the following key assumptions:

- a) Volvo Malaysia IT business
 - Cash flows were projected based on the financial year ended 31 December 2022 actual operating results and the unit's 5-years business plan, with average net margin applied of 8% (2021: 10%) per annum for the years 2023 to 2027.
 - The terminal value was estimated using the perpetuity growth model, with a weighted average growth rate to perpetuity of 1% (2021: 1%).
 - A pre-tax discount rate of 1.03% (2021: 1.10%) was applied in determining the recoverable amount of the unit. The discount rate was estimated based on an industry average weighted average cost of capital.
- b) IBM business
 - Cash flows were projected based on the financial year ended 31 December 2022 actual operating results and the unit's 5-years business plan, with average net margin applied of 8% (2021: 9%) per annum for the years 2023 to 2027.
 - The terminal value was estimated using the perpetuity growth model, with a weighted average growth rate to perpetuity of 2% (2021: 2%).
 - A pre-tax discount rate of 3.1% (2021: 4.78%) was applied in determining the recoverable amount of the unit. The discount rate was estimated based on an industry average weighted average cost of capital.

5. Goodwill and intangible assets (continued)

5.2 Impairment testing for cash generating units ("CGU") containing goodwill (continued)

With regard to the assessment of value in use of these CGUs, management believes that no reasonably possible changes in any of the key assumptions would cause the carrying values of these CGUs to differ materially from their recoverable amounts except for the changes in the prevailing operating environment, the impact of which is not expected to be significant.

6. Investment in a subsidiary

	Company	
	2022 RM	2021 RM
Cost of investment	77,149,146	77,149,146
	<u>77,149,146</u>	<u>77,149,146</u>

Details of the subsidiary are as follows:

Name of entity	Country of incorporation	Principal activity	Effective ownership interest and voting interest	
			2022 %	2021 %
HCL Axon Solutions (Shanghai) Co. Ltd. ¹	People's Republic of China	Provision of software development, designing and related consulting services	100	100

¹ Audited by other member firm of KPMG International.

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7. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

Deferred tax assets/(liabilities) are attributable to the following:

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Plant and equipment	(2,787,530)	(2,219,958)	(2,155,742)	(1,675,926)
Right-of-use assets	(1,920,406)	(1,356,168)	(460,172)	(608,029)
Lease liabilities	3,994,367	4,024,179	472,763	618,290
Contract liabilities	1,603,575	1,589,683	227,691	411,228
Provisions	3,549,661	3,036,259	1,509,025	708,023
Net tax assets/(liabilities)	<u>4,439,667</u>	<u>5,073,995</u>	<u>(406,435)</u>	<u>(546,414)</u>

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7. Deferred tax assets/(liabilities) (continued)

Movement in temporary differences during the year

	At 1.1.2021 RM	Recognised in profit or loss (Note 18) RM	Effect of movement in exchange rates RM	At 31.12.2021/ 1.1.2022 RM	Recognised in profit or loss (Note 18) RM	Effect of movement in exchange rates RM	At 31.12.2022 RM
Group							
Plant and equipment	96,529	(2,316,487)	-	(2,219,958)	(567,572)	-	(2,787,530)
Right-of-use assets	(2,222,830)	866,662	-	(1,356,168)	(564,238)	-	(1,920,406)
Lease liabilities	2,917,471	1,106,708	-	4,024,179	(29,812)	-	3,994,367
Contract liabilities	591,891	997,792	-	1,589,683	13,892	-	1,603,575
Provisions	3,791,714	(1,045,838)	290,383	3,036,259	658,438	(145,036)	3,549,661
	5,174,775	(391,163)	290,383	5,073,995	(489,292)	(145,036)	4,439,667
Company							
Plant and equipment	96,529	(1,772,455)	-	(1,675,926)	(479,816)	-	(2,155,742)
Right-of-use assets	(864,499)	256,470	-	(608,029)	147,857	-	(460,172)
Lease liabilities	876,247	(257,957)	-	618,290	(145,527)	-	472,763
Contract liabilities	591,891	(180,663)	-	411,228	(183,537)	-	227,691
Provisions	703,381	4,642	-	708,023	801,002	-	1,509,025
	1,403,549	(1,949,963)	-	(546,414)	139,979	-	(406,435)

8. Trade and other receivables

	Note	Group		Company	
		2022 RM	2021 RM	2022 RM	2021 RM
Non-current					
Trade					
Prepayments		1,388,536	-	47,125	-
Net investment in leases	8.3	17,816,393	22,630,917	595,168	1,007,168
Deferred costs		2,333,037	-	560,165	-
		<u>21,537,966</u>	<u>22,630,917</u>	<u>1,202,458</u>	<u>1,007,168</u>
Current					
Trade					
Trade receivables from contracts with customers		119,960,487	91,654,137	22,748,042	18,893,670
Net investment in leases	8.3	25,065,826	27,888,910	481,786	723,622
Amount due from ultimate holding company	8.1	9,271,946	4,803,010	2,362,933	1,460,473
Amount due from a subsidiary	8.1	-	-	4,147,730	3,475,695
Amount due from related companies	8.1	63,209,153	55,550,418	18,040,610	18,247,887
Deferred costs		<u>4,623,271</u>	<u>4,761,343</u>	<u>619,075</u>	<u>1,089,402</u>
		<u>222,130,683</u>	<u>184,657,818</u>	<u>48,400,176</u>	<u>43,890,749</u>
Non-trade					
Amount due from related companies		139,948	363,126	139,948	173,125
Deposits	8.2	1,287,799	1,224,904	356,970	360,234
Other receivables		4,913,812	991,697	70,032	354,751
Prepayments		<u>2,857,995</u>	<u>5,389,011</u>	<u>550,528</u>	<u>1,801,194</u>
		<u>9,199,554</u>	<u>7,968,738</u>	<u>1,117,478</u>	<u>2,689,304</u>
		<u>231,330,237</u>	<u>192,626,556</u>	<u>49,517,654</u>	<u>46,580,053</u>
		<u>252,868,203</u>	<u>215,257,473</u>	<u>50,720,112</u>	<u>47,587,221</u>

8.1 The amounts due from ultimate holding company, a subsidiary and related companies are unsecured, interest free and subject to normal trade terms.

8.2 The amount due from related companies is unsecured, interest free and repayable on demand.

8. Trade and other receivables (continued)

8.3 Net investment in lease

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
At 1 January	50,519,827	40,114,421	1,730,790	809,746
Addition	14,798,694	23,489,104	78,192	1,444,036
Interest income	778,942	813,558	26,695	20,466
Lease payments received	(21,962,722)	(16,718,539)	(758,723)	(543,458)
Effect of movements in exchange rates	(1,252,522)	2,821,283	-	-
At 31 December	<u>42,882,219</u>	<u>50,519,827</u>	<u>1,076,954</u>	<u>1,730,790</u>

The Group and Company lease hardware's to third parties. Each of the leases contains an initial non-cancellable period of 5 years.

These leases transfer substantially all the risk and rewards incidental to ownership of the hardware. The Group and Company expects the residual value of the hardware's at the end of the lease term to be minimal.

The lease payments to be received are as follows:

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Less than one year	25,065,826	27,888,910	481,786	723,622
One to two years	10,001,341	13,259,005	405,987	482,552
Two to five years	<u>7,815,052</u>	<u>9,371,912</u>	<u>189,181</u>	<u>524,616</u>
Net investment in lease	<u>42,882,219</u>	<u>50,519,827</u>	<u>1,076,954</u>	<u>1,730,790</u>

Fair value information

Fair value of net investment in lease are as follows:

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Net investment in lease	<u>21,570,032</u>	<u>21,752,146</u>	<u>579,175</u>	<u>1,022,351</u>

9. Inventories

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Finished goods	<u>6,653,838</u>	<u>4,913,294</u>	<u>1,375,051</u>	<u>46,515</u>

10. Contract with customers

Contract assets/(liabilities)

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Contract assets	<u>579,964</u>	<u>230,805</u>	<u>579,964</u>	<u>230,805</u>
Non-current Contract liabilities	(2,648,848)	(2,900,785)	(24,636)	-
Current Contract liabilities	<u>(3,803,402)</u>	<u>(3,722,897)</u>	<u>(924,077)</u>	<u>(1,713,452)</u>
	<u>(6,452,250)</u>	<u>(6,623,682)</u>	<u>(948,713)</u>	<u>(1,713,452)</u>

The contract assets primarily relate to the Group's and Company's rights to consideration for work completed on contracts but not yet billed at the reporting date.

The contract liabilities primarily relate to the advance consideration received from a customer for contracts, which revenue is recognised overtime during the contract period. The contract liabilities are expected to be recognised as revenue over a period of two years.

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Contract liabilities at the beginning of the reporting period recognised as revenue	<u>2,887,683</u>	<u>2,381,625</u>	<u>1,713,452</u>	<u>2,102,261</u>

11. Cash and cash equivalents

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Cash and bank balances	<u>221,789,159</u>	<u>190,009,947</u>	<u>14,291,989</u>	<u>21,493,358</u>

12. Capital and reserves

		Group and Company			
		Number of shares 2022	Amount 2022 RM	Number of shares 2021	Amount 2021 RM
	Note				
Issued and fully paid shares with no par value:					
Ordinary shares					
At 1 January/ 31 December	12.1	<u>10,000,000</u>	<u>68,096,463</u>	<u>10,000,000</u>	<u>68,096,463</u>
Redeemable convertible cumulative preference shares					
At 1 January/ 31 December	12.3	<u>12,000,000</u>	<u>12,000,000</u>	<u>12,000,000</u>	<u>12,000,000</u>
		22,000,000	80,096,463	22,000,000	80,096,463

12.1 Ordinary shares

The holder of ordinary shares is entitled to receive dividends as declared from time to time.

12.2 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of a foreign operation.

12.3 Redeemable Convertible Cumulative Preference Shares ("RCCPS")

The salient features of the RCCPS are as follows:

- (i) The RCCPS are at the option of the Company be redeemed or converted.
- (ii) The RCCPS holders shall be entitled to a cumulative preferential dividend payment at a rate to be determined by the Directors on the nominal value of the preference shares.
- (iii) The RCCPS holders shall be entitled to participate in the surplus profits remaining after the payment of the cumulative preferential dividend at a rate to be determined by the Directors; and
- (iv) The RCCPS holders shall be entitled to one vote for each RCCPS held at any meeting.

13. Employee benefits

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Non-current				
Defined benefit obligation	1,018,226	928,423	1,018,226	928,423
Current				
Defined benefit obligation	718,662	537,298	718,662	537,298
Provision for employee encashment compensated absence	3,307,640	2,862,498	-	-
	<u>4,026,302</u>	<u>3,399,796</u>	<u>718,662</u>	<u>537,298</u>
	<u>5,044,528</u>	<u>4,328,219</u>	<u>1,736,888</u>	<u>1,465,721</u>

The Group and the Company operate a final salary defined benefit plan with lump sum payment based on number of unused leave days is paid at normal retirement or at an earlier exit through resignation (including transfer), ill-health retirement or death in service.

The defined benefit plan exposes the Group and the Company to financial risks such as change in discount rate and future salary increment rates; and demographic risk such as turnover rate not being borne out.

There have been no curtailments or settlements during the reporting period.

Defined benefit obligation

Movement in net defined benefit liability

The following table shows a reconciliation from the opening balance to the closing balance for net defined benefit liability and its components:

	Group and Company	
	2022 RM	2021 RM
Balance at 1 January	1,465,721	1,455,706
Current service cost	517,951	508,507
Interest expense	50,393	43,191
Benefits payment	(961,160)	(1,174,082)
Remeasurement	663,983	632,399
Balance at 31 December	<u>1,736,888</u>	<u>1,465,721</u>

13. Employee benefits (continued)

Actuarial assumptions

Principal actuarial assumptions at the end of the reporting period:

	Group and Company	
	2022	2021
Discount rate	5.10%	4.20%
Salary increment rate	5.00%	4.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The disability rates that are 10% of mortality rates. The explicit provision for the resignation (including transfer) of employees after consultation with the Group and the Company. The withdrawal rates used in the valuation are service related which correspond to an average staff turnover of approximately 25% (2021: 19%) per annum.

No allowance for future expenses as actuarial assumes such expenses would be paid by the Company separately.

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	Group and Company	
	2022	2021
	RM	RM
Project benefit obligation on discount rate escalation rate plus 1%	1,682,304	1,541,465
Project benefit obligation on discount rate escalation rate minus 1%	1,798,930	1,512,160
Project benefit obligation on salary escalation rate plus 1%	1,789,864	1,479,924
Project benefit obligation on salary escalation rate minus 1%	1,689,828	1,450,618

14. Trade and other payables

		Group		Company	
	Note	2022 RM	2021 RM	2022 RM	2021 RM
Trade					
Trade payables		8,604,328	7,170,772	849,066	2,320,993
Amount due to ultimate holding company	14.1	142,254,036	89,909,957	7,243,878	4,847,149
Amount due to a subsidiary	14.1	-	-	47,827	52,754
Amount due to related companies	14.1	154,566,446	141,658,851	2,228,802	1,555,435
		305,424,810	238,739,580	10,369,573	8,776,331
Non-trade					
Amount due to related company	14.2	116,412	-	116,412	-
Other payables		4,809,381	5,304,875	3,166,036	4,078,371
Accruals and provision		27,437,596	34,000,322	12,193,413	14,041,034
		32,363,389	39,305,197	15,475,861	18,119,405
		337,788,199	278,044,777	25,845,434	26,895,736

14.1 The amounts due to ultimate holding company, a subsidiary and related companies are unsecured, interest free and subject to normal trade terms.

14.2 The amount due to related company is unsecured, interest free and repayable on demand.

15. Revenue

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Revenue from contracts with customers	<u>427,258,224</u>	<u>405,673,039</u>	<u>161,675,494</u>	<u>148,143,614</u>

15.1 Disaggregation of revenue

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Major products and service line				
Sale of services	394,186,125	366,727,251	160,544,854	145,607,100
Sale of hardware and software	<u>33,072,099</u>	<u>38,945,788</u>	<u>1,130,640</u>	<u>2,536,514</u>
	<u>427,258,224</u>	<u>405,673,039</u>	<u>161,675,494</u>	<u>148,143,614</u>

15. Revenue (continued)

15.2 Nature of goods and services

The following information reflects the typical transactions of the Group and the Company:

Nature of goods or services	Timing of recognition or method used to recognised revenue	Significant payment terms
Sale of services	Revenue is recognised overtime as and when the services are rendered.	Credit period of 30 to 120 days from invoice date
Sale of hardware and software	Revenue is recognised at a point in time when the hardware and software are delivered to the customer.	Credit period of 30 to 120 days from invoice date

16. Finance income

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Interest income of financial assets at amortised cost	1,620,577	423,374	10,066	9,365
Interest income on net investment in lease	778,941	813,558	26,695	20,466
	<u>2,399,518</u>	<u>1,236,932</u>	<u>36,761</u>	<u>29,831</u>

17. Finance costs

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Interest expense on lease liabilities	349,197	539,551	78,914	114,868
Other finance costs	73,795	85,919	23,002	33,471
	<u>422,992</u>	<u>625,470</u>	<u>101,916</u>	<u>148,339</u>

18. Tax expense

Recognised in profit or loss

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Income tax expense	<u>10,132,080</u>	<u>13,025,354</u>	<u>3,276,810</u>	<u>5,427,407</u>
Current tax expense				
Current year	9,103,712	12,199,592	2,820,222	3,099,382
Prior year	539,076	434,599	596,567	378,062
Total current tax recognised in profit or loss	<u>9,642,788</u>	<u>12,634,191</u>	<u>3,416,789</u>	<u>3,477,444</u>
Deferred tax expense				
Origination and reversal of temporary differences	1,831,310	(388,157)	577,591	851,120
(Over)/Under provision in prior year	(1,342,018)	779,320	(717,570)	1,098,843
Total deferred tax recognised in profit or loss	<u>489,292</u>	<u>391,163</u>	<u>(139,979)</u>	<u>1,949,963</u>
Total income tax expense	<u>10,132,080</u>	<u>13,025,354</u>	<u>3,276,810</u>	<u>5,427,407</u>
Reconciliation of tax expense				
Profit for the year	32,404,655	34,472,815	10,534,129	10,890,575
Total income tax expense	<u>10,132,080</u>	<u>13,025,354</u>	<u>3,276,810</u>	<u>5,427,407</u>
Profit excluding tax	<u>42,536,735</u>	<u>47,498,169</u>	<u>13,810,939</u>	<u>16,317,982</u>
Income tax calculated using Malaysian tax rate at 24% (2021: 24%)	10,208,816	11,399,561	3,314,625	3,916,316
Effect of tax rate in foreign jurisdiction	287,258	311,802	-	-
Non-deductible expenses	438,948	236,977	83,188	171,091
(Over)/Under provision of tax in prior years	(802,942)	1,213,919	(121,003)	1,476,905
Others	-	(136,905)	-	(136,905)
	<u>10,132,080</u>	<u>13,025,354</u>	<u>3,276,810</u>	<u>5,427,407</u>

19. Profit for the year

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Profit for the year is arrived at after charging/(crediting):				
<i>Auditors' remuneration</i>				
Audit fees:				
- KPMG PLT	100,000	90,000	100,000	90,000
- Overseas affiliates of KPMG PLT	87,090	87,090	-	-
<i>Material expenses/ (income)</i>				
Depreciation of plant and equipment	16,098,942	18,464,062	4,120,954	4,215,666
Depreciation of right-of-use assets	5,370,587	5,448,923	1,356,493	1,481,105
Amortisation of intangible assets	207,990	324,490	-	-
Personnel expenses:				
- Contribution to state plan	15,436,880	12,850,863	5,236,623	4,731,421
- Employee benefits expense	132,655,684	118,154,885	73,768,224	67,038,174
- Expenses related to defined benefit plans	568,344	551,698	568,344	551,698
Plant and equipment written off (Reversal)/Provision for slow moving inventories	676,287	5,939,572	46,197	246,967
	(19,008)	1,484,916	(123,848)	1,236,807
Loss on/(Reversal of) impairment of trade receivables	941,798	(316,638)	(246,335)	9,319
Net (gain)/loss on foreign currency exchange differences				
- Realised	(7,009,480)	1,675,048	556,920	243,166
- Unrealised	5,663,179	(6,408,436)	164,562	6,886
Gain on derecognition of lease	(3,987)	-	(3,987)	-
Gain on lease modification	(28,636)	-	(28,636)	-
<i>Expense arising from leases</i>				
Expense relating to short-term leases	-	171,155	-	156

20. Dividends

Dividends recognised by the Company:

	RM per share	Total amount RM	Date of payment
2022			
Redeemable convertible cumulative preference shares	0.80	9,600,000	14 March 2022
Redeemable convertible cumulative preference shares	0.18	<u>2,200,000</u>	13 June 2022
		<u>11,800,000</u>	
2021			
Redeemable convertible cumulative preference shares	0.83	<u>10,000,000</u>	19 April 2021

The Directors do not recommend any final dividend to be paid for the financial year under review.

21. Financial instruments

21.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as amortised cost ("AC") and their carrying amount.

	Carrying amount	
	2022 RM	2021 RM
Financial assets at amortised cost		
Group		
Trade and other receivables*	243,365,650	209,593,637
Cash and cash equivalents	<u>221,789,159</u>	<u>190,009,947</u>
	<u>465,154,809</u>	<u>399,603,584</u>
Company		
Trade and other receivables*	50,122,459	45,786,027
Cash and cash equivalents	<u>14,291,989</u>	<u>21,493,358</u>
	<u>64,414,448</u>	<u>67,279,385</u>
Financial liabilities at amortised cost		
Group		
Trade and other payables	<u>337,788,199</u>	<u>278,044,777</u>
Company		
Trade and other payables	<u>25,845,434</u>	<u>26,895,736</u>

* excluding prepayments and VAT deductible

21. Financial instruments (continued)

21.2 Net gains and losses arising from financial instruments

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Net gain/(losses) on:				
Financial assets at amortised cost	6,681,712	(922,466)	(400,506)	193,282
Financial liabilities at amortised cost	(4,730,427)	6,309,947	(87,577)	23,245
	<u>1,951,285</u>	<u>5,387,481</u>	<u>(488,083)</u>	<u>216,527</u>

21.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

21.4 Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's and the Company's exposure to credit risk arises principally from its trade receivables and contract assets. There are no significant changes as compared to prior periods.

Trade receivables and contract assets

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Group and the Company manage their exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis.

At each reporting date, the Group or the Company assesses whether any of the trade receivables and contract assets are credit impaired.

The gross carrying amounts of credit impaired trade receivables and contract assets are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group or 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. Nevertheless, trade receivables and contract assets that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

21. Financial instruments (continued)

21.4 Credit risk (continued)

Trade receivables and contract assets (continued)

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables and contract assets are represented by the carrying amounts in the statement of financial position.

Recognition and measurement of impairment losses

To measure expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract asset relates to unbilled work in progress and have substantially the same credit risk characteristics as the trade receivables for the same types of contract. The Group and the Company have therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The Group and the Company use an allowance matrix to measure expected credit losses ("ECLs") of trade receivables.

Loss rates are based on actual credit loss experience over the past two years. The Group and the Company also considers differences between (a) economic conditions during the year over which the historic data has been collected, (b) current conditions and (c) the Group's and the Company's view of economic conditions over the expected lives of the receivables. Nevertheless, the Group and the Company believe that these factors are immaterial for the purpose of impairment calculation for the year.

21. Financial instruments (continued)

21.4 Credit risk (continued)

Trade receivables and contract assets (continued)

Recognition and measurement of impairment losses (continued)

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets which grouped together as they are expected to have similar risk nature.

Group	2022			2021		
	Gross carrying amount RM	Loss allowance RM	Net carrying amount RM	Gross carrying amount RM	Loss allowance RM	Net carrying amount RM
Current (not past due)	134,532,911	-	134,532,911	118,066,152	-	118,066,152
1 to 90 days past due	18,291,734	-	18,291,734	16,478,316	-	16,478,316
91 to 180 days past due	5,219,803	-	5,219,803	3,462,651	-	3,462,651
More than 180 days past due	5,378,222	-	5,378,222	4,397,650	-	4,397,650
	163,422,670	-	163,422,670	142,404,769	-	142,404,769
Credit impaired						
Individually impaired	4,846,491	(4,846,491)	-	4,005,282	(4,005,282)	-
	168,269,161	(4,846,491)	163,422,670	146,410,051	(4,005,282)	142,404,769
Trade receivables	167,689,197	(4,846,491)	162,842,706	146,179,246	(4,005,282)	142,173,964
Contract assets	579,964	-	579,964	230,805	-	230,805
	168,269,161	(4,846,491)	163,422,670	146,410,051	(4,005,282)	142,404,769

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21. Financial instruments (continued)

21.4 Credit risk (continued)

Trade receivables and contract assets (continued)

Recognition and measurement of impairment losses (continued)

Company	2022			2021		
	Gross carrying amount RM	Loss allowance RM	Net carrying amount RM	Gross carrying amount RM	Loss allowance RM	Net carrying amount RM
Current (not past due)	21,664,984	-	21,664,984	16,759,676	-	16,759,676
1 to 90 days past due	2,630,473	-	2,630,473	2,900,788	-	2,900,788
91 to 180 days past due	109,503	-	109,503	1,194,801	-	1,194,801
	24,404,960	-	24,404,960	20,855,265	-	20,855,265
Credit impaired						
Individually impaired	1,238,036	(1,238,036)	-	1,484,371	(1,484,371)	-
	25,642,996	(1,238,036)	24,404,960	22,339,636	(1,484,371)	20,855,265
Trade receivables	25,063,032	(1,238,036)	23,824,996	22,108,831	(1,484,371)	20,624,460
Contract assets	579,964	-	579,964	230,805	-	230,805
	25,642,996	(1,238,036)	24,404,960	22,339,636	(1,484,371)	20,855,265

21. Financial instruments (continued)

21.4 Credit risk (continued)

Trade receivables and contract assets (continued)

Recognition and measurement of impairment losses (continued)

The movements in the allowance for impairment in respect of trade receivables and contract assets during the year are shown below.

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Trade receivables and contract assets				
Balance at 1 January	4,005,282	4,146,816	1,484,371	1,475,052
Net measurement of loss allowance	941,798	(316,638)	(246,335)	9,319
Effect of movements in exchange rates	(100,589)	175,104	-	-
Balance at 31 December	<u>4,846,491</u>	<u>4,005,282</u>	<u>1,238,036</u>	<u>1,484,371</u>

Net investment in a lease

Risk management objectives, policies and processes for managing the risk

The Group and the Company manage credit risk on net investment in a lease together with their leasing arrangements.

At the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

As at the end of the reporting period, the Group and the Company did not recognise any allowance for impairment losses.

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

These banks and financial institutions have low credit risks. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

21. Financial instruments (continued)

21.4 Credit risk (continued)

Other receivables

Credit risks on other receivables and deposits are mainly arising from advances to supplier and deposits paid for office buildings and utilities. These deposits will be received at the end of each lease terms. The Group and the Company manage the credit risk for deposits together with the leasing arrangement.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

As at the end of the reporting period, the Group and the Company did not recognise any allowance for impairment losses.

Inter-company receivables

Risk management objectives, policies and processes for managing the risk

The Group and the Company trade with their holding company and related companies. The Group and the Company monitor the results of these inter-companies regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Recognition and measurement of impairment loss

As at the end of the reporting period, there were no indications that the balances owing from these inter-companies are not recoverable as the Group and the Company consider the inter-companies have low credit risk, hence it is not provided for.

21.5 Liquidity risk

Liquidity risk is the risk that the Group and the Company not be able to meet their financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from its various payables.

The Group and the Company maintain a level of cash and cash equivalents deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

21. Financial instruments (continued)

21.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities and lease liabilities at the end of the reporting date based on undiscounted contractual payments:

Group	Carrying amount RM	Discount rate %	Contractual cash flows RM	Less than 1 year RM	Between 1 - 2 years RM	Between 2 - 5 years RM
2022						
Lease liabilities	16,056,265	1.1% - 3.6%	16,376,689	10,246,383	5,770,050	360,256
Trade and other payables	337,788,199	-	337,788,199	337,788,199	-	-
	<u>353,844,464</u>		<u>354,164,888</u>	<u>348,034,582</u>	<u>5,770,050</u>	<u>360,256</u>
2021						
Lease liabilities	16,767,414	1.1% - 3.6%	17,241,802	10,578,915	4,018,340	2,644,547
Trade and other payables	278,044,777	-	278,044,777	278,044,777	-	-
	<u>294,812,191</u>		<u>295,286,579</u>	<u>288,623,692</u>	<u>4,018,340</u>	<u>2,644,547</u>
Company						
2022						
Lease liabilities	1,969,850	3.3% - 3.6%	2,013,657	1,430,570	539,561	43,526
Trade and other payables	25,845,434	-	25,845,434	25,845,434	-	-
	<u>27,815,284</u>		<u>27,859,091</u>	<u>27,276,004</u>	<u>539,561</u>	<u>43,526</u>
2021						
Lease liabilities	2,576,208	2.1% - 3.6%	2,670,729	1,293,297	1,043,394	334,038
Trade and other payables	26,895,736	-	26,895,736	26,895,736	-	-
	<u>29,471,944</u>		<u>29,566,465</u>	<u>28,189,033</u>	<u>1,043,394</u>	<u>334,038</u>

21. Financial instruments (continued)

21.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Group's financial position or cash flows.

21.6.1 Currency risk

The Group and the Company are exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Group entities. The currencies giving rise to this risk are primarily U.S. Dollar ("USD"), Euro ("EUR") and Great Britain Pounds ("GBP").

Risk management objectives, policies and processes for managing the risk

The Group and the Company do not enter into any hedge activities and monitor the exchange rate risk on an on-going basis.

Exposure to foreign currency risk

The Group's and the Company's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period are as follows:

Group	Denominated in		
	USD RM	EUR RM	GBP RM
2022			
Trade and other receivables	20,229,486	143,026	-
Cash and cash equivalents	79,585,920	-	-
Trade and other payables	<u>(26,903,923)</u>	<u>(35,461,302)</u>	<u>(28,656,082)</u>
Net exposure	<u>72,911,483</u>	<u>(35,318,276)</u>	<u>(28,656,082)</u>
2021			
Trade and other receivables	6,721,964	520,374	-
Cash and cash equivalents	61,601,600	-	-
Trade and other payables	<u>(14,077,953)</u>	<u>(23,088,511)</u>	<u>(20,468,487)</u>
Net exposure	<u>54,245,611</u>	<u>(22,568,137)</u>	<u>(20,468,487)</u>

21. Financial instruments (continued)

21.6 Market risk (continued)

21.6.1 Currency risk (continued)

Company	USD RM	Denominated in EUR RM	GBP RM
2022			
Trade and other receivables	790,859	57,204	-
Trade and other payables	<u>(1,458,273)</u>	<u>(471,586)</u>	<u>(30,264)</u>
Net exposure	<u>(667,414)</u>	<u>(414,382)</u>	<u>(30,264)</u>
2021			
Trade and other receivables	1,689,118	391,596	-
Trade and other payables	<u>(994,618)</u>	<u>(218,286)</u>	<u>-</u>
Net exposure	<u>694,500</u>	<u>173,310</u>	<u>-</u>

Currency risk sensitivity analysis

A 10% (2021: 10%) strengthening of the RM against the following currencies at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group and the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Group (Loss) or Profit		Company (Loss) or Profit	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	RM	RM	RM	RM
USD	(5,467,694)	(4,069,115)	50,723	(52,782)
EUR	2,649,285	1,692,437	31,493	(13,172)
GBP	<u>2,149,236</u>	<u>1,535,137</u>	<u>2,300</u>	<u>-</u>

A 10% (2021: 10%) weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

21. Financial instruments (continued)

21.6 Market risk (continued)

21.6.2 Interest rate risk

The Group and the Company short-term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group and the Company did not use derivative financial instruments to hedge its exposure to interest rate risk.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's lease liabilities, based on carrying amount as at the end of the reporting period were as follows:

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Fixed rate instrument				
Lease liabilities	<u>16,056,265</u>	<u>16,767,414</u>	<u>1,969,850</u>	<u>2,576,208</u>

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company did not account for its fixed rate lease liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

21.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

22. Capital management

The Group and the Company manage their capital to ensure the Group and the Company will maintain an optimal capital structure so as to support the businesses and maximise shareholder value. To achieve this objective, the Group and the Company may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares. The Group's and the Company's strategies were unchanged from the previous financial year.

There is no external capital requirement imposed on the Group and the Company.

23. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group.

The Group has related party relationship with its ultimate holding company, subsidiary, related companies and key management personnel.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated trade terms. The significant related party transactions of the Group and the Company are shown below. The balances related to the below transactions are shown in Notes 8 and 14.

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
A. Ultimate holding company				
Purchases	57,878,767	56,087,376	21,956,863	12,615,422
Sales	<u>(26,116,007)</u>	<u>(24,879,112)</u>	<u>(10,044,892)</u>	<u>(8,114,612)</u>
B. Subsidiary				
Purchases	-	-	267,885	182,135
Sales	<u>-</u>	<u>-</u>	<u>(670,640)</u>	<u>(1,581,045)</u>
C. Related companies				
Purchases	72,855,187	62,419,272	9,396,867	3,153,454
Sales	<u>(105,075,070)</u>	<u>(84,038,095)</u>	<u>(58,324,351)</u>	<u>(47,409,359)</u>
D. Key management personnel				
Director fees	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>

HCL Technologies Malaysia Sdn. Bhd.

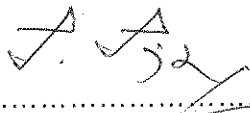
(Registration No. 199701038311 (453811-P))

(Incorporated in Malaysia)

and its subsidiary**Statement by Directors pursuant to Section 251(2) of the Companies Act 2016**

In the opinion of the Directors, the financial statements set out on pages 5 to 65 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2022 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:



.....
Sundaram Sridharan
Director



.....
Shiv Kumar Walia
Director

Date: 30 June 2023

HCL Technologies Malaysia Sdn. Bhd.

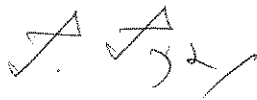
(Registration No. 199701038311 (453811-P))

(Incorporated in Malaysia)

and its subsidiary**Statutory declaration pursuant to
Section 251(1)(b) of the Companies Act 2016**

I, **Sundaram Sridharan**, the Director primarily responsible for the financial management of HCL Technologies Malaysia Sdn. Bhd., do solemnly and sincerely declare that the financial statements set out on pages 5 - 65, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Oaths and Declarations Act (Cap 211, 2001 Rev Ed.).

Subscribed and solemnly declared by the abovenamed Sundaram Sridharan, Passport No: K3346248P in the Republic of Singapore on 30th June 2023.



.....
Sundaram Sridharan

Before me:



Commissioner for Oaths

Singapore





KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

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Fax +60 (3) 7721 3399
Website www.kpmg.com.my

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF HCL TECHNOLOGIES MALAYSIA SDN. BHD.

(Company No. 199701038311 (453811-P))
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of HCL Technologies Malaysia Sdn. Bhd., which comprise the statements of financial position as at 31 December 2022 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 5 to 65.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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



Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

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

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, 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.



Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- 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 internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors are disclosed in Note 6 to the financial statements.

Other Matter

This report is made solely to the member of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Petaling Jaya

Date: 30 June 2023

Lee Yeit Yeen
Approval Number: 03484/02/2024 J
Chartered Accountant