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

Financial statements for the year ended 31 December 2020

HCL Technologies Malaysia Sdn. Bhd.

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

and its subsidiary

Directors' report for the year ended 31 December 2020

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 2020.

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	25,197,532	29,987,260

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

During the financial year, the Company paid a preference dividend of RM1.08 per preference share totaling RM13,000,000 in respect of the financial year ended 31 December 2020. The dividend was declared on 6 August 2020 and paid on 10 August 2020.

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

Subsequent to the financial year ended 31 December 2020, the Company paid a preference dividend of RM0.83 per preference share totalling RM10,000,000 in respect of the financial year ending 31 December 2021 declared on 14 April 2021 and paid on 19 April 2021.

Registration No. 199701038311 (453811-P)

Directors of the Company

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

Sundaram Sridharan
Subramanian Gopalakrishnan
Shiv Kumar Walia
Awalludin Bin Nasir (appointment on 17 November 2020)
Huang Swee Lin (resigned on 17 November 2020)
Chiu Kim Boo (resigned on 11 March 2020)

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 1.1.2020	**Bought**	**Sold**	**At 31.12.2020**
Interests in the ultimate holding company:				
Sundaram Sridharan	24,208	-	-	24,208

None of the other directors holding office at 31 December 2020 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 fees included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements) 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.

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 2020 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 is disclosed in Note 19 to the financial statements.

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

…………………………………………………………………………

Sundaram Sridharan
Director

…………………………………………………………………………

Subramanian Gopalakrishnan
Director

Date: 05 Aug 2021

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

Statements of financial position as at 31 December 2020

		Group		Company	
	Note	2020 RM	2019 RM Restated	2020 RM	2019 RM Restated
Assets					
Plant and equipment	3	47,590,195	29,940,380	12,362,984	6,234,015
Right-of-use assets	4	9,035,403	10,903,950	3,602,078	1,466,983
Goodwill	5	9,533,295	9,128,462	275,983	275,983
Intangible assets	5	1,429,742	1,653,438	-	-
Investment in a subsidiary	6	-	-	77,149,146	57,178,525
Deferred tax assets	7	5,174,775	4,934,374	1,403,549	1,952,073
Trade and other receivables	8	20,802,390	8,035,890	457,295	-
Total non-current assets		93,565,800	64,596,494	95,251,035	67,107,579
Inventories	9	5,802,910	756,656	1,875,947	472,496
Contract assets	10	11,142	2,708,485	-	2,623,478
Trade and other receivables	8	200,324,368	153,105,085	39,539,467	56,496,508
Cash and cash equivalents	11	55,419,422	43,150,955	21,196,407	18,620,287
Total current assets		261,557,842	199,721,181	62,611,821	78,212,769
Total assets		355,123,642	264,317,675	157,862,856	145,320,348

HCL Technologies Malaysia Sdn. Bhd.
(Registration No. 199701038311 (453811-P))
(Incorporated in Malaysia)
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Statements of financial position as at 31 December 2020 (continued)

	Note	Group 2020 RM	Group 2019 RM Restated	Company 2020 RM	Company 2019 RM Restated
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		(1,092,562)	(4,215,915)	-	-
Retained earnings		52,901,523	40,703,991	45,434,065	28,446,805
Equity attributable to owners of the Company		131,921,393	116,600,508	125,530,528	108,543,268
Liabilities					
Lease liabilities		6,642,061	4,369,616	2,278,057	439,262
Contract liabilities	10	41,389	-	-	-
Employee benefits	13	939,247	764,542	939,247	764,542
Total non-current liabilities		7,622,697	5,134,158	3,217,304	1,203,804
Lease liabilities		5,173,864	4,804,573	1,372,971	1,072,353
Contract liabilities	10	2,843,104	5,413,153	2,466,211	4,693,528
Trade and other payables	14	202,212,735	125,712,618	24,704,905	26,434,701
Current tax liabilities		3,891,965	5,324,040	54,478	2,916,438
Employee benefits	13	1,457,884	1,328,625	516,459	456,256
Total current liabilities		215,579,552	142,583,009	29,115,024	35,573,276
Total liabilities		223,202,249	147,717,167	32,332,328	36,777,080
Total equity and liabilities		355,123,642	264,317,675	157,862,856	145,320,348

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

HCL Technologies Malaysia Sdn. Bhd.
(Registration No. 199701038311 (453811-P))
(Incorporated in Malaysia)
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Statements of profit or loss and other comprehensive income for the year ended 31 December 2020

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
Revenue	15	354,457,274	309,227,599	152,205,961	153,981,216
Cost of sales		(274,366,346)	(250,481,883)	(121,446,278)	(129,937,552)
Gross profit		80,090,928	58,745,716	30,759,683	24,043,664
Other income		2,483,236	385,603	20,905,506	385,603
Selling and marketing expenses		(13,240,661)	(3,572,372)	(7,555,571)	(1,706,655)
Administrative expenses		(11,624,757)	(13,247,852)	(5,565,844)	(6,839,225)
Net (loss on)/reversal of impairment of financial instruments	19	(1,647,540)	(1,115,886)	696,680	(1,035,021)
Other operating expenses		(20,663,626)	(15,614,380)	(5,231,403)	(3,623,451)
Results from operating activities		35,397,580	25,580,829	34,009,051	11,224,915
Finance income	16	914,407	1,461,533	7,251	1,356,035
Finance costs	17	(508,953)	(434,928)	(91,565)	(88,644)
Profit before tax		35,803,034	26,607,434	33,924,737	12,492,306
Tax expenses	18	(10,605,502)	(5,759,500)	(3,937,477)	(2,638,595)
Profit for the year	19	25,197,532	20,847,934	29,987,260	9,853,711
Other comprehensive income, net of tax					
Items that will or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for a foreign operation		3,123,353	(1,563,965)	-	-
Other comprehensive income/(expenses) for the year, net of tax		3,123,353	(1,563,965)	-	-
Total comprehensive income for the year		28,320,885	19,283,969	29,987,260	9,853,711

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

HCL Technologies Malaysia Sdn. Bhd.

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

and its subsidiary

Consolidated statement of changes in equity for the year ended 31 December 2020

	/----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 2019	68,096,463	12,000,000	15,969	(2,651,950)	82,442,057	159,902,539
Foreign currency translation differences for a foreign operation	-	-	-	(1,563,965)	-	(1,563,965)
Total other comprehensive expense for the year	-	-	-	(1,563,965)	-	(1,563,965)
Profit for the year	-	-	-	-	20,847,934	20,847,934
Total comprehensive (expense)/income for the year	-	-	-	(1,563,965)	20,847,934	19,283,969
Distribution to owner of the Company:						
Preference dividend paid (Note 20)	-	-	-	-	(62,586,000)	(62,586,000)
Total transactions with owners of the Company	-	-	-	-	(62,586,000)	(62,586,000)
At 31 December 2019	68,096,463	12,000,000	15,969	(4,215,915)	40,703,991	116,600,508
	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 2020 (continued)

	/---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 2020	68,096,463	12,000,000	15,969	(4,215,915)	40,703,991	116,600,508
Foreign currency translation differences from foreign operation	-	-	-	3,123,353	-	3,123,353
Total other comprehensive income for the year	-	-	-	3,123,353	-	3,123,353
Profit for the year	-	-	-	-	25,197,532	25,197,532
Total comprehensive income for the year	-	-	-	3,123,353	25,197,532	28,320,885
Distribution to owner of the Company:						
Preference dividend paid (Note 20)	-	-	-	-	(13,000,000)	(13,000,000)
Total transactions with owners of the Company	-	-	-	-	(13,000,000)	(13,000,000)
At 31 December 2020	68,096,463	12,000,000	15,969	(1,092,562)	52,901,523	131,921,393
	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.
(Registration No. 199701038311 (453811-P))
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Statement of changes in equity for the year ended 31 December 2020

	/------Non-distributable------/		Distributable	
	Ordinary shares RM	Redeemable convertible cumulative preference shares ("RCCPS") RM	Retained earnings RM	Total RM
Company				
At 1 January 2019	68,096,463	12,000,000	81,179,094	161,275,557
Profit and total comprehensive income for the year	-	-	9,853,711	9,853,711
Distribution to owner of the Company:				
Preference dividend paid (Note 20)	-	-	(62,586,000)	(62,586,000)
Total transactions with owners of the Company	-	-	(62,586,000)	(62,586,000)
At 31 December 2019/1 January 2020	68,096,463	12,000,000	28,446,805	108,543,268
Profit and total comprehensive income for the year	-	-	29,987,260	29,987,260
Distribution to owner of the Company:				
Preference dividend paid (Note 20)	-	-	(13,000,000)	(13,000,000)
Total transactions with owners of the Company	-	-	(13,000,000)	(13,000,000)
At 31 December 2020	68,096,463	12,000,000	45,434,065	125,530,528
	Note 12.1	Note 12.3		

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

HCL Technologies Malaysia Sdn. Bhd.
(Registration No. 199701038311 (453811-P))
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Statements of cash flows for the year ended 31 December 2020

		Group		Company	
	Note	2020 RM	2019 RM Restated	2020 RM	2019 RM Restated
Cash flows from operating activities					
Profit before tax		35,803,034	26,607,434	33,924,737	12,492,306
Adjustments for:					
Depreciation of plant and equipment	3	14,048,108	8,547,355	3,110,722	2,029,522
Depreciation of right-of-use assets	4	5,813,568	5,294,919	1,377,782	1,045,900
Amortisation of intangible assets	5	296,574	68,450	-	-
Finance income	16	(914,407)	(1,461,533)	(7,251)	(1,356,035)
Finance costs	17	508,953	434,928	91,565	88,644
Net impairment loss on/ (reversal of) trade receivables	19	1,647,540	1,115,886	(696,680)	1,035,021
Reversal of impairment loss on investment in subsidiary	19	-	-	(19,970,621)	-
Unrealised (gain)/loss on foreign currency exchange differences	19	(805,665)	676,256	742,899	(387,127)
Gain on remeasurement of leases		(9,745)	-	(9,745)	-
Plant and equipment written off		2,361,404	-	74,822	-
Loss on disposal of plant and equipment		213	3,152	-	1,524
Operating profit before working capital changes		58,749,577	41,286,847	18,638,230	14,949,755
Change in inventories		(5,046,254)	2,403,543	(1,403,451)	(472,496)
Change in trade and other payables		80,664,496	31,881,381	(1,806,987)	13,891,931
Change in trade and other receivables		(61,555,629)	48,949,815	16,530,718	54,284,145
Change in contract assets		2,697,343	(1,857,932)	2,623,478	(2,060,991)
Change in contract liabilities		(2,528,660)	1,403,259	(2,227,317)	1,813,262
Change in employee benefits		303,964	634,696	234,908	129,846
Cash generated from operations		73,284,837	124,701,609	32,589,579	82,535,452
Interest received		914,407	1,461,553	7,251	1,356,035
Interest paid		(347,211)	(286,335)	(48,828)	(43,269)
Tax paid		(12,135,629)	(7,359,191)	(6,250,913)	(2,987,036)
Net cash from operating activities		61,716,404	118,517,636	26,297,089	80,861,182

HCL Technologies Malaysia Sdn. Bhd.

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Statements of cash flows for the year ended 31 December 2020 (continued)

		Group		Company	
	Note	2020 RM	2019 RM Restated	2020 RM	2019 RM Restated
Cash flows from investing activities					
Acquisition of plant and equipment	3	(32,879,808)	(15,974,291)	(9,314,513)	(2,823,868)
Acquisition of a business		-	(10,788,981)	-	-
Net cash used in investing activities		(32,879,808)	(26,763,272)	(9,314,513)	(2,823,868)
Cash flows from financing activities					
Payment of lease liabilities		(4,623,722)	(5,867,114)	(1,363,719)	(1,001,268)
Interest paid		(161,742)	(148,593)	(42,737)	(45,375)
Payment of preference shares dividend	20	(13,000,000)	(62,586,000)	(13,000,000)	(62,586,000)
Net cash used in financing activities		(17,785,464)	(68,601,707)	(14,406,456)	(63,632,643)
Net increase in cash and cash equivalents		11,051,132	23,152,657	2,576,120	14,404,671
Effects of exchange rate fluctuations		1,217,335	(766,979)	-	-
Cash and cash equivalents as at the beginning of the year		43,150,955	20,765,277	18,620,287	4,215,616
Cash and cash equivalents as at the end of the year		55,419,422	43,150,955	21,196,407	18,620,287

HCL Technologies Malaysia Sdn. Bhd.
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Statements of cash flows for the year ended 31 December 2020 (continued)

Cash outflows for leases as lessee

		Group		Company	
		2020	**2019**	**2020**	**2019**
	Note	**RM**	**RM**	**RM**	**RM**
Included in net cash from operating activities:					
Payment relating to short-term leases	19	541,108	459,820	279,842	-
Interest paid in relation to lease liabilities	17	347,211	286,335	48,828	43,269
Included in net cash from financing activities:					
Payment of lease liabilities		4,623,722	5,867,114	1,363,719	1,001,268
Total cash outflows for leases		5,512,041	6,613,269	1,692,389	1,044,537

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

Group	At 1 January 2019 RM	Net changes from financing cash flows RM	Acquisition of new lease RM	Foreign exchange movement RM	At 31 December 2019/1 January 2020 RM	Net changes from financing cash flows RM	Acquisition of new lease RM	Changes arising from lease modification RM	Foreign exchange movement RM	At 31 December 2020 RM
Lease liabilities	3,709,038	(5,867,114)	11,506,441	(174,176)	9,174,189	(4,623,722)	4,436,610	2,406,997	421,851	11,815,925
Total liabilities from financing activities	3,709,038	(5,867,114)	11,506,441	(174,176)	9,174,189	(4,623,722)	4,436,610	2,406,997	421,851	11,815,925

HCL Technologies Malaysia Sdn. Bhd.
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Statements of cash flows for the year ended 31 December 2020 (continued)

Reconciliation of movement of liabilities to cash flows arising from financing activities (continued)

Company	**At 1 January 2019 RM**	**Net changes from financing cash flows RM**	**Acquisition of new lease RM**	**At 31 December 2019/1 January 2020 RM**	**Net changes from financing cash flows RM**	**Acquisition of new lease RM**	**Changes arising from lease modification RM**	**At 31 December 2020 RM**
Lease liabilities	836,586	(1,001,268)	1,676,297	1,511,615	(1,363,719)	1,096,135	2,406,997	3,651,028
Total liabilities from financing activities	836,586	(1,001,268)	1,676,297	1,511,615	(1,363,719)	1,096,135	2,406,997	3,651,028

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

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

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
L5-E-1B, Level 5, Enterprise 4,
Technology Park Malaysia,
Lebuhraya Puchong-Sg. Besi,
Bukit Jalil,
57000 Kuala Lumpur.

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2020 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 5 August 2021.

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 June 2020

- Amendments to MFRS 16, *Leases – Covid-19-Related Rent Concessions*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement,* MFRS 7, *Financial Instruments: Disclosures,* MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 April 2021

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions beyond 30 June 2021*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* (*Annual Improvements to MFRS Standards 2018 – 2020*)
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments* (*Annual Improvements to MFRS Standards 2018 – 2020*)
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases* (*Annual Improvements to MFRS Standards 2018 – 2020*)
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018−2020)*

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

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and 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*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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 will apply the abovementioned accounting standard and amendments that are applicable to the Group and the Company when they become effective except for amendments to MFRS 1, amendments to MFRS 141 and MFRS 17 which are not applicable to the Group and the Company.

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.

(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
- Note 6 – measurement of the recoverable amount of investment in subsidiary

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, including structured 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.

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.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Business combinations (continued)

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.

(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.

2. Significant accounting policies (continued)

(b) Foreign currency (continued)

(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.

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)

Financial assets (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 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.

(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:

2. Significant accounting policies (continued)

(e) Leases (continued)

(i) Definition of a lease (continued)

- 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.

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.

2. Significant accounting policies (continued)

(e) Leases (continued)

(ii) Recognition and initial measurement (continued)

(a) As a lessee (continued)

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

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- 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.

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.

2. Significant accounting policies (continued)

(e) Leases (continued)

(ii) Recognition and initial measurement (continued)

(b) As a lessor (continued)

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 when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-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.

(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".

2. Significant accounting policies (continued)

(e) Leases (continued)

(ii) Subsequent measurement (continued)

(b) As a lessor (continued)

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 arises 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.

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

- Customers relationship 10 years

2. Significant accounting policies (continued)

(f) Intangible assets (continued)

(iv) Amortisation (continued)

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, production or conversion costs 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.

(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.

2. Significant accounting policies (continued)

(j) Impairment (continued)

(i) Financial assets (continued)

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.

(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.

2. Significant accounting policies (continued)

(j) Impairment (continued)

(ii) Other assets (continued)

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 it transfers control over a product or service to customer. An asset is transferred when the customer obtains control of the asset.

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;

2. Significant accounting policies (continued)

(m) Revenue and other income (continued)

(i) Revenue (continued)

(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.

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.

2. Significant accounting policies (continued)

(n) Income tax (continued)

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	Leasehold improvements RM	Office equipment RM	Computer equipment RM	Computer software RM	Capital work in progress RM	Total RM
Cost						
At 1 January 2019	2,076,155	25,066,241	7,205,696	2,655,492	386,822	37,390,406
Additions	414,071	395,889	14,959,022	-	205,309	15,974,291
Disposals	-	(141,456)	(28,925)	-	-	(170,381)
Written-off	-	-	(232,664)	-	-	(232,664)
Reclassification	3,827,765	(23,112,514)	19,578,780	92,791	(386,822)	-
Effect of movements in exchange rates	(105,308)	(38,716)	(751,107)	(2,416)	-	(897,547)
At 31 December 2019/1 January 2020	6,212,683	2,169,444	40,730,802	2,745,867	205,309	52,064,105
Additions	2,991,805	1,122,256	27,941,507	293,599	530,641	32,879,808
Written-off	-	(735,527)	(1,886,411)	-	-	(2,621,938)
Reclassification	-	344,170	(107,364)	(31,497)	(205,309)	-
Effect of movements in exchange rates	183,113	73,398	1,604,904	5,347	-	1,866,762
At 31 December 2020	9,387,601	2,973,741	68,283,438	3,013,316	530,641	84,188,737
Depreciation						
At 1 January 2019	1,623,049	7,282,938	2,719,533	2,655,492	-	14,281,012
Depreciation charge for the year	816,855	294,756	7,418,159	17,585	-	8,547,355
Disposals	-	(139,828)	(27,401)	-	-	(167,229)
Written-off	-	-	(232,664)	-	-	(232,664)
Reclassification	708,652	(6,685,736)	5,935,898	41,186	-	-
Effect of movements in exchange rates	(32,578)	(5,377)	(265,370)	(1,424)	-	(304,749)
At 31 December 2019/1 January 2020	3,115,978	746,753	15,548,155	2,712,839	-	22,123,725
Depreciation charge for the year	1,075,184	194,903	12,515,793	262,228	-	14,048,108
Written-off	-	(2,807)	(257,727)	-	-	(260,534)
Effect of movements in exchange rates	69,854	11,673	600,728	4,988	-	687,243
At 31 December 2020	4,261,016	950,522	28,406,949	2,980,055	-	36,598,542
Carrying amounts						
At 1 January 2019	453,106	17,783,303	4,486,163	-	386,822	23,109,394
At 31 December 2019/1 January 2020	3,096,705	1,422,691	25,182,647	33,028	205,309	29,940,380
At 31 December 2020	5,126,585	2,023,219	39,876,489	33,261	530,641	47,590,195

3. Plant and equipment (continued)

Company	Leasehold improvements RM	Office equipment RM	Computer equipment RM	Computer software RM	Capital work in progress RM	Total RM
Cost						
At 1 January 2019	2,076,155	597,738	7,205,696	2,655,492	386,822	12,921,903
Additions	132,398	84,170	2,401,991	-	205,309	2,823,868
Disposals	-	-	(28,925)	-	-	(28,925)
Written-off	-	-	(232,664)	-	-	(232,664)
Reclassification	-	-	386,822	-	(386,822)	-
At 31 December 2019/1 January 2020	2,208,553	681,908	9,732,920	2,655,492	205,309	15,484,182
Additions	2,991,805	775,853	5,215,717	5,806	325,332	9,314,513
Written-off	-	(77,630)	-	-	-	(77,630)
At 31 December 2020	5,200,358	1,380,131	14,948,637	2,661,298	530,641	24,721,065
Depreciation						
At 1 January 2019	1,623,049	482,636	2,719,533	2,655,492	-	7,480,710
Depreciation charge for the year	111,222	35,315	1,882,985	-	-	2,029,522
Disposals	-	-	(27,401)	-	-	(27,401)
Written-off	-	-	(232,664)	-	-	(232,664)
At 31 December 2019/1 January 2020	1,734,271	517,951	4,342,453	2,655,492	-	9,250,167
Depreciation charge for the year	352,478	63,724	2,688,714	5,806	-	3,110,722
Written-off	-	(2,808)	-	-	-	(2,808)
At 31 December 2020	2,086,749	578,867	7,031,167	2,661,298	-	12,358,081
Carrying amounts						
At 1 January 2019	453,106	115,102	4,486,163	-	386,822	5,441,193
At 31 December 2019/1 January 2020	474,282	163,957	5,390,467	-	205,309	6,234,015
At 31 December 2020	3,113,609	801,264	7,917,470	-	530,641	12,362,984

4. Right-of-use assets

Buildings	**Group RM**	**Company RM**
At 1 January 2019	4,910,228	836,586
Addition	11,506,441	1,676,297
Depreciation	(5,294,919)	(1,045,900)
Effect of movement in exchange rates	(217,800)	-
At 31 December 2019/1 January 2020	10,903,950	1,466,983
Addition	1,137,257	1,096,135
Remeasurement of lease liabilities	2,416,742	2,416,742
Depreciation	(5,813,568)	(1,377,782)
Effect of movement in exchange rates	391,022	-
At 31 December 2020	9,035,403	3,602,078

The Group leases buildings that run between 2 to 5 years, with an option to renew the lease after that date.

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

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.

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.

5. Goodwill and intangible assets

Group	Note	Goodwill RM	Customer relationship RM	Total RM
Cost				
At 1 January 2019		275,983	-	275,983
Acquisition of a business	24	9,033,317	1,755,664	10,788,981
Effect of movements in exchange rates		(180,838)	(35,148)	(215,986)
At 31 December 2019/1 January 2020		9,128,462	1,720,516	10,848,978
Effect of movements in exchange rates		404,833	78,683	483,516
At 31 December 2020		9,533,295	1,799,199	11,332,494
Amortisation				
At 1 January 2019		-	-	-
Amortisation for the year	5.1	-	68,450	68,450
Effect of movements in exchange rates		-	(1,372)	(1,372)
At 31 December 2019/ 1 January 2020		-	67,078	67,078
Amortisation for the year	5.1	-	296,574	296,574
Effect of movements in exchange rates		-	5,805	5,805
At 31 December 2020		-	369,457	369,457
Carrying amounts				
At 1 January 2019		275,983	-	275,983
At 31 December 2019/ 1 January 2020		9,128,462	1,653,438	10,781,900
At 31 December 2020		9,533,295	1,429,742	10,963,037
Company				
Cost				
At 1 January 2019/ 31 December 2019/ 1 January 2020/ 31 December 2020		275,983	-	275,983
Carrying amounts				
At 1 January 2019/ 31 December 2019/ 1 January 2020/ 31 December 2020		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	
	2020	**2019**
	RM	**RM**
Volvo Malaysia Information Technology ("IT") business	275,983	275,983
IBM business	8,852,479	9,033,317
Effect of movements in exchange rates	404,833	(180,838)
	9,533,295	9,128,462

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 2020 actual operating results and the unit's 5-years business plan, with average net margin applied of 9% (2019: 10%) per annum for the years 2021 to 2025.
- The terminal value was estimated using the perpetuity growth model, with a weighted average growth rate to perpetuity of 1% (2019: 2%).
- A pre-tax discount rate of 1.12% (2019: 2.67%) 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 2020 actual operating results and the unit's 5-years business plan, with average net margin applied of 10% (2019: 10%) per annum for the years 2021 to 2025.
- The terminal value was estimated using the perpetuity growth model, with a weighted average growth rate to perpetuity of 2% (2019: 2%).
- A pre-tax discount rate of 2.45% (2019: 1.11%) 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.

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	
	2020 RM	2019 RM
Cost of investment	77,149,146	77,149,146
Add: Reversal of impairment loss	19,970,621	-
Less: Impairment loss	(19,970,621)	(19,970,621)
	77,149,146	57,178,525

Details of the subsidiary are as follows:

Name of entity	Country of incorporation	Principal activity	Effective ownership interest and voting interest 2020 %	2019 %
Axon Solutions (Shanghai) Co. Ltd.[1,2]	People's Republic of China	Provision of software development, designing and related consulting services	100	100

[1] Not audited by KPMG PLT.
[2] Audited by other member firm of KPMG International.

7. Deferred tax assets

Recognised deferred tax assets

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Plant and equipment	96,529	(555,103)	96,529	(555,103)
Right-of-use assets	(2,222,830)	(1,370,487)	(864,499)	(352,076)
Lease liabilities	2,917,471	1,361,807	876,247	343,396
Contract liabilities	591,891	1,126,447	591,891	1,126,447
Provisions	3,791,714	4,371,710	703,381	1,389,409
Net tax assets	5,174,775	4,934,374	1,403,549	1,952,073

7. Deferred tax assets (continued)

Movement in temporary differences during the year

	At 1.1.2019 RM	Recognised in profit or loss (Note 18) RM	Effect of movement in exchange rates RM	At 31.12.2019/ 1.1.2020 RM	Recognised in profit or loss (Note 18) RM	Effect of movement in exchange rates RM	At 31.12.2020 RM
Group							
Plant and equipment	(416,593)	(138,510)	-	(555,103)	651,632	-	96,529
Right-of-use assets	-	(1,370,487)	-	(1,370,487)	(852,343)	-	(2,222,830)
Lease liabilities	-	1,361,807	-	1,361,807	1,555,664	-	2,917,471
Contract liabilities	691,264	435,183	-	1,126,447	(534,556)	-	591,891
Provisions	1,391,061	3,046,830	(66,181)	4,371,710	(722,345)	142,349	3,791,714
	1,665,732	3,334,823	(66,181)	4,934,374	98,052	142,349	5,174,775
Company							
Plant and equipment	(416,593)	(138,510)	-	(555,103)	651,632	-	96,529
Right-of-use assets	-	(352,076)	-	(352,076)	(512,423)	-	(864,499)
Lease liabilities	-	343,396	-	343,396	532,851	-	876,247
Contract liabilities	691,264	435,183	-	1,126,447	(534,556)	-	591,891
Provisions	534,639	854,770	-	1,389,409	(686,028)	-	703,381
	809,310	1,142,763	-	1,952,073	(548,524)	-	1,403,549

8. Trade and other receivables

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Non-current					
Trade					
Net investment in leases	8.3	20,802,390	8,035,890	457,295	-
Current					
Trade					
Trade receivables from contracts with customers		72,441,371	72,186,333	19,081,027	32,897,836
Net investment in lease	8.3	19,312,031	4,877,953	352,451	-
Amount due from ultimate holding company	8.1	51,411,693	30,899,059	8,954,296	284,145
Amount due from a subsidiary	8.1	-	-	2,157,449	691,612
Amount due from related companies	8.1	40,063,415	28,773,811	4,961,602	14,300,507
		183,228,510	136,737,156	35,506,825	48,174,100
Non-trade					
Amount due from related companies	8.2	141,516	3,189,705	141,516	3,189,705
Deposits		1,425,999	1,477,124	524,095	476,084
Other receivables		10,025,257	7,510,135	675,770	1,281,699
Deferred costs		690,698	772,699	639,943	550,057
Prepayments		4,812,388	3,418,266	2,051,318	2,824,863
		17,095,858	16,367,929	4,032,642	8,322,408
		200,324,368	153,105,085	39,539,467	56,496,508
		221,126,758	161,140,975	39,996,762	56,496,508

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	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
At 1 January	12,913,843	12,766,563	-	-
Addition	33,565,104	4,529,742	827,795	-
Interest income	867,412	486,365	3,180	-
Lease payments received	(8,058,339)	(4,475,386)	(21,229)	-
Effect of movements in exchange rates	826,401	(393,441)	-	-
At 31 December	40,114,421	12,913,843	809,746	-

The Group and Company lease hardwares 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 hardwares at the end of the lease term to be minimal.

The lease payments to be received are as follows:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Less than one year	19,312,030	4,877,953	352,451	-
One to two years	10,524,765	5,759,575	239,992	-
Two to five years	10,277,626	2,276,315	217,303	-
Net investment in lease	40,114,421	12,913,843	809,746	-

Fair value information

Fair value of net investment in lease are as follows:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Net investment in lease	20,341,585	7,804,803	453,255	-

9. Inventories

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Finished goods	5,802,910	756,656	1,875,947	472,496

10. Contract with customers

Contract assets/(liabilities)

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Contract assets	11,142	2,708,485	-	2,623,478
Non-current				
Contract liabilities	(41,389)	-	-	-
Current				
Contract liabilities	(2,843,104)	(5,413,153)	(2,466,211)	(4,693,528)
	(2,884,493)	(5,413,153)	(2,466,211)	(4,693,528)

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	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Contract liabilities at the beginning of the reporting period recognised as revenue	4,727,060	1,886,338	3,981,405	1,166,774

11. Cash and cash equivalents

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Deposit placed with licensed banks	-	8,181,941	-	-
Cash and bank balances	55,419,422	34,969,014	21,196,407	18,620,287
	55,419,422	43,150,955	21,196,407	18,620,287

12. Capital and reserves

		Group and Company			
	Note	Number of shares 2020	Amount 2020 RM	Number of shares 2019	Amount 2019 RM
Issued and fully paid shares with no par value:					
Ordinary shares					
At 1 January/31 December	12.1	10,000,000	68,096,463	10,000,000	68,096,463
Redeemable convertible cumulative preference shares					
At 1 January/31 December	12.3	12,000,000	12,000,000	12,000,000	12,000,000
		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 and is entitled to one vote per share at meetings of the Company.

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	
	2020 RM	2019 RM	2020 RM	2019 RM
Non-current				
Defined benefit obligation	939,247	764,542	939,247	764,542
Current				
Defined benefit obligation	516,459	456,256	516,459	456,256
Provision for employee encashment compensated absence	941,425	872,369	-	-
	2,397,131	2,093,167	1,455,706	1,220,798

The Group and the Company operates 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	
	2020 RM	2019 RM
Balance at 1 January	1,220,798	1,090,952
Current service cost	540,196	484,643
Interest expense	41,791	44,474
Benefits payment	(637,816)	(581,616)
Remeasurement	290,737	182,345
Balance at 31 December	1,455,706	1,220,798

13. Employee benefits (continued)

Actuarial assumptions

Principal actuarial assumptions at the end of the reporting period:

	Group and Company	
	2020	**2019**
Discount rate	3.60%	4.20%
Salary increases	4.00%	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 20% 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	
	2020 RM	**2019 RM**
Project benefit obligation on discount rate escalation rate plus 1%	1,434,435	1,406,212
Project benefit obligation on discount rate escalation rate minus 1%	1,556,036	1,512,259
Project benefit obligation on salary escalation rate plus 1%	1,562,561	1,504,236
Project benefit obligation on salary escalation rate minus 1%	1,427,216	1,412,750

14. Trade and other payables

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Trade					
Trade payables		28,783,175	13,759,700	6,084,514	1,726,299
Amount due to ultimate holding company	14.1	39,735,392	24,405,709	889,744	9,644,179
Amount due to a subsidiary	14.1	-	-	-	29,177
Amount due to related companies	14.1	91,578,058	50,411,807	2,185,382	1,643,827
		160,096,625	88,577,216	9,159,640	13,043,482
Non-trade					
Amount due to related companies	14.2	-	9,614,708	-	-
Other payables		3,135,576	3,199,579	3,040,277	3,199,579
Accruals and provision		38,980,534	24,321,115	12,504,988	10,191,640
		42,116,110	37,135,402	15,545,265	13,391,219
		202,212,735	125,712,618	24,704,905	26,434,701

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 companies is unsecured, interest free and repayable on demand.

15. Revenue

	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Revenue from contracts with customers	354,457,274	309,227,599	152,205,961	153,981,216

15.1 Disaggregation of revenue

	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Major products and service line				
Sale of services	308,651,079	285,477,092	147,988,805	152,563,050
Sale of hardware and software	45,806,195	23,750,507	4,217,156	1,418,166
	354,457,274	309,227,599	152,205,961	153,981,216

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	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Interest income of financial assets at amortised cost	46,995	975,168	4,071	1,356,035
Interest income on net investment in lease	867,412	486,365	3,180	-
	914,407	1,461,533	7,251	1,356,035

17. Finance costs

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Interest expense on lease liabilities	347,211	286,335	48,828	43,269
Interest expense on IBM deferred consideration	68,518	67,478	-	-
Other finance costs	93,224	81,115	42,737	45,375
	508,953	434,928	91,565	88,644

18. Tax expense

Recognised in profit or loss

	Group		Company	
	2020 **RM**	**2019** **RM**	**2020** **RM**	**2019** **RM**
Income tax expense	10,605,502	5,759,500	3,937,477	2,638,595
Major components of income tax expense include:				
Current tax expense				
Current year	10,544,976	8,741,281	3,268,375	3,781,358
Prior year	158,578	353,042	120,578	-
Total current tax recognised in profit or loss	10,703,554	9,094,323	3,388,953	3,781,358
Deferred tax expense				
Origination and reversal of temporary differences	(209,206)	(3,334,823)	437,370	(1,142,763)
Under provision in prior year	111,154	-	111,154	-
Total deferred tax recognised in profit or loss	(98,052)	(3,334,823)	548,524	(1,142,763)
Total income tax expense	10,605,502	5,759,500	3,937,477	2,638,595

18. Tax expense (continued)

Reconciliation of tax expense

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Profit for the year	25,197,532	20,847,934	29,987,260	9,853,711
Total income tax expense	10,605,502	5,759,500	3,937,477	2,638,595
Profit excluding tax	35,803,034	26,607,434	33,924,737	12,492,306
Income tax calculated using Malaysian tax rate at 24% (2019: 24%)	8,592,728	6,385,784	8,141,937	2,998,153
Effect of tax rate in foreign jurisdiction	218,490	141,151	-	-
Non-deductible expenses	1,479,744	211,145	311,949	108,227
Non-taxable income	-	(1,293,899)	(4,792,949)	(430,062)
Under provision of tax in prior years	269,732	353,042	231,732	-
Others	44,808	(37,723)	44,808	(37,723)
	10,605,502	5,759,500	3,937,477	2,638,595

19. Profit for the year

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Profit for the year is arrived at after charging/(crediting):				
Auditors' remuneration				
Audit fees:				
- KPMG PLT	75,000	70,000	75,000	70,000
- Overseas affiliates of KPMG PLT	87,090	86,970	-	-

19. Profit for the year (continued)

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Material expenses/ (income)				
Depreciation of plant and equipment	14,048,108	8,547,355	3,110,722	2,029,522
Depreciation of right-of-use assets	5,813,568	5,294,919	1,377,782	1,045,900
Amortisation of intangible assets	296,574	68,450	-	-
Personnel expenses:				
- Contribution to state plan	8,401,017	12,693,454	4,438,668	4,339,169
- Employee benefits expense	117,783,522	118,235,880	70,649,166	72,083,716
- Expenses related to defined benefit plans	610,882	1,419,307	581,987	529,117
Plant and equipment written off	2,361,404	-	74,822	-
Net loss on/(reversal of) impairment of trade receivables	1,647,540	1,115,886	(696,680)	1,035,021
Reversal of impairment loss on investment in subsidiary	-	-	(19,970,621)	-
Net (gain)/loss on foreign currency exchange differences				
- Realised	(895,363)	638,646	(925,140)	548,030
- Unrealised	(805,665)	676,256	742,899	(387,127)
Expense arising from leases				
Expense relating to short-term leases	541,108	459,820	279,842	-

20. Dividends

Dividends recognised by the Company:

	RM per share	Total amount RM	Date of payment
2020			
Redeemable convertible cumulative preference shares	1.08	13,000,000	10 August 2020
2019			
Redeemable convertible cumulative preference shares	5.22	62,586,000	26 September 2019

Subsequent to the financial year ended 31 December 2020, the Company paid a preference dividend of RM0.83 per preference share totalling RM10,000,000 in respect of the financial year ending 31 December 2021 declared on 14 April 2021 and paid on 19 April 2021.

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	
	2020 RM	**2019 RM**
Financial assets at amortised cost		
Group		
Trade and other receivables*	213,036,091	157,722,709
Cash and cash equivalents	55,419,422	43,150,955
	268,455,513	200,873,664
Company		
Trade and other receivables*	37,945,444	53,671,645
Cash and cash equivalents	21,196,407	18,620,287
	59,141,851	72,291,932

* excluding prepayments and VAT deductible

21. Financial instruments (continued)

21.1 Categories of financial instruments (continued)

	Carrying amount 2020 RM	Carrying amount 2019 RM
Financial liabilities at amortised cost		
Group		
Trade and other payables	202,212,735	125,712,618
Company		
Trade and other payables	24,704,905	26,434,701

* excluding prepayments and VAT deductible

21.2 Net gains and losses arising from financial instruments

	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Net (losses)/gain on:				
Financial assets at amortised cost	(2,634,067)	(903,223)	368,996	(397,959)
Financial liabilities at amortised cost	(833,318)	(214,626)	106,777	512,695
	(3,467,385)	(1,117,849)	475,773	114,736

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.

21. Financial instruments (continued)

21.4 Credit risk (continued)

Trade receivables and contract assets (continued)

Risk management objectives, policies and processes for managing the risk (continued)

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.

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.

	2020			2019		
	Gross carrying amount RM	**Loss allowances RM**	**Net carrying amount RM**	**Gross carrying amount RM**	**Loss allowances RM**	**Net carrying amount RM**
Group						
Current (not past due)	92,763,829	-	92,763,829	59,330,012	-	59,330,012
1 to 90 days past due	14,629,849	-	14,629,849	19,233,857	-	19,233,857
91 to 180 days past due	1,748,391	-	1,748,391	5,007,927	-	5,007,927
More than 180 days past due	3,424,865	-	3,424,865	4,236,865	-	4,236,865
	112,566,934	-	112,566,934	87,808,661	-	87,808,661
Credit impaired						
Individually impaired	4,146,816	(4,146,816)	-	2,464,272	(2,464,272)	-
	116,713,750	(4,146,816)	112,566,934	90,272,933	(2,464,272)	87,808,661
Trade receivables	116,702,608	(4,146,816)	112,555,792	87,564,448	(2,464,272)	85,100,176
Contract assets	11,142	-	11,142	2,708,485	-	2,708,485
	116,713,750	(4,146,816)	112,566,934	90,272,933	(2,464,272)	87,808,661

21. Financial instruments (continued)

21.4 Credit risk (continued)

Trade receivables and contract assets (continued)

Recognition and measurement of impairment losses (continued)

	2020			2019		
	Gross carrying amount RM	**Loss allowances RM**	**Net carrying amount RM**	**Gross carrying amount RM**	**Loss allowances RM**	**Net carrying amount RM**
Company						
Current (not past due)	16,883,149	-	16,883,149	20,678,677	-	20,678,667
1 to 90 days past due	2,923,917	-	2,923,917	11,548,151	-	11,548,151
91 to 180 days past due	40,827	-	40,827	2,199,056	-	2,199,056
More than 180 days past due	42,880	-	42,880	1,095,430	-	1,095,430
	19,890,773	-	19,890,773	35,521,314	-	35,521,314
Credit impaired						
Individually impaired	1,475,052	(1,475,052)	-	2,171,732	(2,171,732)	-
	21,365,825	(1,475,052)	19,890,773	37,693,046	(2,171,732)	35,521,314
Trade receivables	21,365,825	(1,475,052)	19,890,773	35,069,568	(2,171,732)	32,897,836
Contract assets	-	-	-	2,623,478	-	2,623,478
	21,365,825	(1,475,052)	19,890,773	37,693,046	(2,171,732)	35,521,314

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	
	2020 RM	**2019 RM**	**2020 RM**	**2019 RM**
Trade receivables and contract assets				
Balance at 1 January	2,464,272	1,355,707	2,171,732	1,136,711
Net measurement of loss allowance	1,647,540	1,115,886	(696,680)	1,035,021
Effect of movements in exchange rates	35,004	(7,321)	-	-
Balance at 31 December	4,146,816	2,464,272	1,475,052	2,171,732

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
2020						
Lease liabilities	11,815,925	2.1% - 4.3%	12,406,391	5,575,576	4,580,410	2,250,405
Trade and other payables	202,212,735	-	202,212,735	202,212,735	-	-
	214,028,660		214,619,126	207,788,311	4,580,410	2,250,405
2019						
Lease liabilities	9,174,189	3.5% - 4.3%	11,100,611	5,275,380	4,021,443	1,803,788
Trade and other payables	125,712,618	-	125,712,618	125,712,618	-	-
	134,886,807		136,813,229	130,987,998	4,021,443	1,803,778
Company						
2020						
Lease liabilities	3,651,028	2.1% - 3.5%	3,827,744	1,468,542	1,026,338	1,332,864
Trade and other payables	24,704,905	-	24,704,905	24,704,905	-	-
	28,355,933		28,532,649	26,173,447	1,026,338	1,332,864
2019						
Lease liabilities	1,511,615	4%	1,560,688	1,117,800	442,888	-
Trade and other payables	26,434,701	-	26,434,701	26,434,701	-	-
	27,946,316		27,995,389	27,552,501	442,888	-

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 entitles. 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:

	Denominated in		
	USD	**EUR**	**GBP**
	RM	**RM**	**RM**
Group			
2020			
Trade and other receivables	4,839,612	1,182,349	-
Cash and cash equivalents	4,705,705	-	-
Trade and other payables	(5,296,429)	(20,937,854)	(13,295,007)
Net exposure	4,248,888	(19,755,505)	(13,295,007)
2019			
Trade and other receivables	6,311,338	445,110	235,934
Cash and cash equivalents	8,511,558	-	-
Trade and other payables	(7,723,741)	(12,983,394)	(11,548,243)
Net exposure	7,099,155	(12,538,284)	(11,312,309)

21. Financial instruments (continued)

21.6 Market risk (continued)

21.6.1 Currency risk (continued)

	Denominated in USD RM	Denominated in EUR RM	Denominated in GBP RM
Company			
2020			
Trade and other receivables	199,613	853,059	-
Trade and other payables	(505,166)	(1,539,333)	(14,140)
Net exposure	(305,553)	(686,274)	(14,140)
2019			
Trade and other receivables	3,817,031	136,304	235,934
Trade and other payables	(1,777,601)	(273,054)	-
Net exposure	2,039,430	(136,750)	235,934

Currency risk sensitivity analysis

A 10% (2019: 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 Profit or (Loss)		Company Profit or (Loss)	
	31.12.2020 RM	**31.12.2019 RM**	**31.12.2020 RM**	**31.12.2019 RM**
USD	(318,361)	(539,536)	23,222	(154,997)
EUR	1,482,349	952,910	52,157	10,393
GBP	997,140	859,735	1,075	(17,931)

A 10% (2019: 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's amount due from related companies in prior year were exposed to a risk of change in their fair value due to changes in interest rates. 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 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 significant interest-bearing financial instruments, based on carrying amount as at the end of the reporting period were as follows:

	Group	
	2020	**2019**
	RM	**RM**
Fixed rate instrument		
Financial assets	-	8,181,941

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group did not account for its fixed rate financial assets at fair value through profit or loss, and the Group did not designate derivatives as hedging instruments under a fair value hedge accounting model. 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 normal 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	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
A. Ultimate holding company				
Purchases	29,166,110	23,886,603	5,629,100	15,825,290
Sales	(15,892,330)	(34,088,180)	(3,616,050)	(5,489,965)
B. Subsidiary				
Purchases	-	-	146,980	81,811
Sales	-	-	(1,465,782)	(78,885)
C. Related companies				
Purchases	42,760,243	28,513,489	8,996,929	6,306,105
Sales	(78,973,627)	(78,129,477)	(37,947,977)	(38,582,676)
Interest income	-	(1,356,035)	-	(1,356,035)
D. Key management personnel				
Other benefits	9,677	9,677	9,677	9,677

24. Acquisitions of a business

Acquisition of a business – IBM's business

In 2018, the ultimate holding company, HCL Technologies Limited decided to acquire certain intelligent property, related assets, and employees from IBM, with consideration paid from 32 subsidiaries. As a result, one of the subsidiaries, HCL Axon Solutions (Shanghai) Co., Ltd. entered into a purchase agreement with IBM (China) Company Limited for the acquisition of its business relating to selected IBM's intangible asset, which is customers relationship for a total cash consideration of RM10,788,981. The acquisition was completed on 30 June 2019.

The following summarises the consideration transferred, and the recognised amounts of identifiable asset acquired at the acquisition date:

	Note	Group 2019 RM
Fair value of consideration transferred		
Cash and cash equivalents		10,788,981
Identifiable asset acquired		
Intangible asset – Customers relationship	5	(1,755,664)
Goodwill	5	9,033,317
Net cash outflow arising from acquisition of a business		
Purchase consideration, settled by cash and cash equivalents		10,788,981

Acquisition-related costs

The acquisition-related costs in relation to the professional legal fees and due diligence costs were borne by its ultimate holding company.

25. Comparative figures

In previous financial years, an employee benefits were erroneously classified in trade and other payables. The effects of correction of the error are disclosed below:

Statements of financial position

2019	As previously reported RM	Effects of reclassification RM	As restated RM
Group			
Trade and other payables	127,805,785	(2,093,167)	125,712,618
Employee benefits			
- non-current	-	764,542	764,542
- current	-	1,328,625	1,328,625
Company			
Trade and other payables	27,655,499	(1,220,798)	26,434,701
Employee benefits			
- non-current	-	764,542	764,542
- current	-	456,256	456,256

Statements of cash flows

2019	As previously reported RM	Effects of reclassification RM	As restated RM
Group			
Operating profit before working capital changes			
Change in trade and other payables	32,516,097	(634,696)	31,881,401
Change in employee benefits	-	634,696	634,696
Company			
Operating profit before working capital changes			
Change in trade and other payables	14,021,777	(129,846)	13,891,931
Change in employee benefits	-	129,846	129,846

The above error does not have any impact on the retained earnings of the Group and the Company.

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 66 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 2020 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

....

Subramanian Gopalakrishnan
Director

Date: 05 Aug 2021

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 to 66 are, 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: K0015031Z in the Republic of Singapore on 05 Aug 2021

....
Sundaram Sridharan

Before me:

Commissioner for Oaths

Singapore

COMMISSIONER FOR OATHS
Chang Shern Hin
CO2021/0121
1 Apr 2021 – 31 Mar 2022
SINGAPORE

KPMG

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

(Registration 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 2020 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 66.

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 2020, 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 the 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.

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

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.

- 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 Matters

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

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

Lee Yeit Yeen
Approval Number: 03484/02/2022 J
Chartered Accountant

Petaling Jaya

Date: 5 August 2021