

C3i Services & Technologies (Dalian) Co., Ltd
Independent Auditor's Report

D.H.S.Z. [2019] No. 000679

Da Hua Certified Public Accountants (Special General Partnership)

C3i Services & Technologies (Dalian) Co., Ltd

Financial Statements

For the Year Ended 31 December 2018

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Independent Auditor's Report

D.H.S.Z. [2019] No. 000679

To The Shareholders of C3i Services & Technologies (Dalian) Co., Ltd.

I. Audit Opinion

We have audited the accompanying financial statements of C3i Services & Technologies (Dalian) Co., Ltd. (hereinafter “the Company”) which comprise the statement of financial position as at 31 December 2018, the statement of comprehensive income, the statement of changes in equity, the cash flow statement for the year ended, and a summary of significant accounting policies and the notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2018, and of its financial performance and its cash flows for the year ended, in accordance with the basis of preparation paragraph in the notes to the financial statements.

II. Basis for the Audit Opinion

We conducted our audit in accordance with China Auditing Standards. The section under the heading of “Certified Public Accountants’ Responsibilities for the Financial Statements’ Audit” in our auditor’s report describes our responsibilities under these Standards. According to “the Code of Ethics of Certified Public Accountants”, we are required to be independent from the Company and to fulfil other ethical obligations. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Management's Responsibility for the Financial Statements

Management of the Company is responsible for the preparation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and for the design, execution and the maintenance of the internal control that is essential to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management of the Company is also responsible for assessing the Company's ability to continue as a going concern, disclosing matters related to going concern, and for financial reporting based on the going concern basis of accounting, unless there is an intention to liquidate the Company or to cease operations, or there is no realistic alternative but to do so.

IV. Certified Public Accountant's Responsibilities for the Financial Statements' Audit

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our audit opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Audit Standards will always detect a material misstatement. 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.

We exercised professional judgment and maintain professional scepticism throughout the audit. We also:

1. Identify and assess the risk of financial statements caused due to fraud or error, design and perform audit procedures to countermeasure these risks and obtain reasonable evidence to fulfil such an objective as the basis of audit opinion. As fraud could involve collaboration, falsifying, intentional omission, false statement or override of control, the risk of unable to identify material misstatement due to fraud is higher than unable to identify material misstatement due to error.
2. Obtain an understanding of the internal control relevant to the audit in order to design suitable audit procedures, however, the purpose was not to issue any opinion regarding to the effectiveness of such internal control.
3. Evaluate the appropriateness of accounting policy adopted and reasonableness of its disclosure by the management.

4. Conclude on the appropriateness of management's use of the non-going concern basis of accounting and, based on the audit evidence obtained, the existence of relevant events or conditions that may lead to the company's non-sustainable operation.
5. Evaluate the overall presentation, structure and content (including disclosure), and evaluate whether financial statements fairly reflected transactions and events.

We communicate with the management 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.


Da Hua Certified Public Accountant
(Special General Partnership)
Beijing · China

CICPA:

CICPA:

14 May 2019

C3i Services & Technologies (Dalian) Co., Ltd.



Statement of Comprehensive Income

<i>Year ended 31 December</i>		2018		2017
Revenue (Note 4.11)	RMB	32,594,643	RMB	38,910,473
Cost of sales (Note 4.11)		17,889,669		23,266,250
Taxes and Surcharges		5,754		
Gross profit		14,699,220		15,644,223
Selling expenses		80,038		152,300
G&A expenses		10,696,402		10,783,385
Finance cost		-981,236		1,037,053
Total operating expenses		9,795,204		11,972,738
Operating income (loss)		4,904,017		3,671,484
Non-operating revenue		147,187		1,082,766
Non-operating expenses				
Non-operating income (loss)		147,187		1,082,766
Income (loss) before income tax		5,051,204		4,754,250
Income tax		786,416		738,424
Net income (loss)	RMB	4,264,788	RMB	4,015,826

See the accompanying notes to the financial statements.

C3i Services & Technologies (Dalian) Co., Ltd.



Statement of Financial Position

<i>Year ended 31 December</i>		2018	2017
Assets			
Current Assets			
Cash and cash equivalents (Note 4.1)	RMB	1,487,317 RMB	1,101,989
Note receivables & Accounts receivable (Note 4.2)		24,176,636	20,818,568
Advances to suppliers		172,861	203,400
Other receivable (Note 4.3)		340,043	251,872
Other current assets		58,134	
Total Current Assets		26,234,991	22,375,829
Non-current Assets			
Property and equipment		4,597,952	4,178,157
Less: accumulated depreciation		(3,460,681)	(3,229,289)
Net property and equipment (Note 4.4)		1,137,271	948,868
Intangible assets		7,000	8,910
Long term prepaid expenses		56,679	147,125
Total Non-current Assets		1,200,950	1,104,902
Total Assets	RMB	27,435,941 RMB	23,480,731

See accompanying notes to financial statements.



C3i Services & Technologies (Dalian) Co., Ltd.

Statement of Financial Position (Continued)

<i>Year ended 31 December</i>		2018		2017
Liabilities and Shareholders' Equity				
Current Liabilities				
Accrued payroll	RMB	527,077	RMB	493,608
Tax payable (Note 4.5)		287,126		257,244
Other payable (Note 4.6)		864,311		1,237,239
Total Current Liabilities		1,678,514		1,988,091
Total Liabilities		1,678,514		1,988,091
Shareholders' Equity				
Paid-in capital (Note 4.7)		1,960,369		1,960,369
Capital reserve (Note 4.8)		278		278
Surplus reserve (Note 4.9)		1,018,214		1,018,214
Undistributed profit (Note 4.10)		22,778,566		18,513,779
Total Shareholders' Equity		25,757,428		21,492,640
Total Liabilities and Shareholders' Equity	RMB	27,435,941	RMB	23,480,731

See the accompanying notes to the financial statements.

C3i Services & Technologies (Dalian) Co., Ltd



Statement of Changes in Equity

	Paid-in capital	Capital reserve	Undistributed profit	Surplus reserve	Total
	Amount	Amount	Amount	Amount	Amount
Balance as of 1 January 2017	1,960,369	278	14,497,952	1,018,214	17,476,814
Paid-in capital					
Capital reserve					
Surplus reserve					
Net income			4,015,826		4,015,826
Balance as at 31 December 2017	1,960,369	278	18,513,779	1,018,214	21,492,640
Foreign paid-in capital					
Capital surplus					
Surplus reserve					
Net income			4,264,788		4,264,788
Balance as at 31 December 2018	1,960,369	278	22,778,566	1,018,214	25,757,428

C3i Services & Technologies (Dalian) Co., Ltd.



Statement of Cash Flows

<i>Year ended 31 December</i>		2018	2017
Cash flows from operating activities:			
Cash received from selling goods or rendering services	RMB	29,236,574 RMB	34,307,407
Tax refunds received		426,537	1,045,585
Other cash received relating to operating activities		35,664,459	(788,123)
Subtotal of cash inflows from operating activities		65,327,570	34,564,869
Cash paid for purchasing goods or receiving services		14,750,287	23,808,989
Cash paid to or on behalf of employees		20,286,494	25,031,682
Taxes and surcharges paid		2,282,299	1,915,435
Other cash paid relating to operating activities		27,203,369	(15,981,640)
Subtotal of cash outflows from operating activities		64,522,448	34,774,466
Net cash flows from operating activities		805,122	(209,597)
Cash flows from investing activities:			
Net cash paid to acquire subsidiaries and other operating business units"		419,794.62	386,141
Net cash flows from investing activities		(419,794.62)	(386,141)
Cash flows from financing activities:			
Cash received from issuing bonds			
Net cash flows from financing activities			
Effect of exchange rate changes on cash and cash equivalents			
Increase in cash and cash equivalents		385,327	(595,738)
Cash and cash equivalents at beginning of year		1,101,989	1,697,728
Cash and cash equivalents at end of year	RMB	1,487,316 RMB	1,101,989

See the accompanying notes to the financial statements.

C3i Services & Technologies (Dalian) Co., Ltd.

Notes to the Financial Statements

- 1. Company Information** C3i Services & Technologies (Dalian) Co., Ltd. (the "Company") was incorporated as a wholly owned foreign enterprise on 28 January 2011 in Dalian, Liaoning Province with a registered capital of USD 300,000. The Company obtained the Certificate of Approval for the Establishment of Enterprises (Zhong Hui Yan Zi No.047), issued by the State Administration for Industry and Commerce of the People's Republic of China. The structure of the registered capital is as follows:

Investor(s)	Registered Capital	Percentage of Ownership
TELERx Marketing, Inc.	US\$ 300,000	100%
Total	US\$ 300,000	100%

The Company obtained the permit to provide technology support services for the life sciences industry in Pan-Asia.

The parent company of C3i Services & Technologies (Dalian) Co., Limited have been changed from C3i Inc. to Telerx Marketing Inc. ("Telerx") on 22nd January 2018 and later during the year, on 6th April' 2018, HCL Technologies Limited acquired 100% stake in Telerx and now is the ultimate parent company.

The business license of the Company was issued with a unified social credit number of 912102315655278111. The registered business address of the Company is Room 108, No. 7 Huixian Yuan, Dalian High-tech Industrial Zone, Dalian, Liaoning Province, P.R. China.

The registered business scope of the Company includes undertaking outsourcing services of data processing and information technology support management. (For business activities subject to authorities' approval according to law, such activities shall be carried out after obtaining permission approved by relevant authorities.)

- 2. Summary of significant accounting policies**
- 1) Basis of preparation of financial statements
- The financial statements are compiled in accordance with the Accounting Standards for Business Enterprises (ASBE) - Basic Standard and all relevant accounting standards and

C3i Services & Technologies (Dalian) Co., Ltd.

Notes to the Financial Statements

regulations.

The Company has assessed its ability to continue as a going concern for the following 12 months from the end of the financial year, and there has been no events or conditions that may cast significant doubt upon the ability to continue as a going concern. Therefore, the financial statements were prepared on the going concern basis.

2) Chinese GAAP conformity representation

The Company's financial statements are prepared in conformity with accounting principle generally accepted in the People's Republic of China and they are a true and complete representation of results of the company's operations and its cash flows for the year then ended.

3) Accounting year

The Company follows the calendar year basis from 1 January to 31 December.

4) Functional currency

The Company's functional currency is Chinese Renminbi ("RMB").

2. Summary of Significant Accounting Policies (Continued)

5) Basis of preparation and measurement

The financial statements of the Company are prepared on the accrual basis. Assets are measured at historical costs.

6) Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments, generally with original maturities of three months or less, which are readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of changes in value because of changes in interest rates.

C3i Services & Technologies (Dalian) Co., Ltd.

Notes to the Financial Statements

7) Conversion of foreign currencies

Foreign currency transactions are recorded using the spot exchange rate on the date of the transaction occurred. The exchange rates are quoted from the official rates released by the People's Bank of China on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into RMB using the exchange rate at the balance sheet date. Gains or losses recognized from the foreign currency translation are recorded in the statement of operation as incurred.

8) Property and equipment

- (1) Property and equipment include machinery, office equipment and other equipment or tools that are used in production and operation with a useful life over a year.
- (2) Property and equipment are stated at costs and are depreciated over their estimated useful lives using the straight-line method. The respective estimated useful life and the rate of net residual values are as follows:

2. Summary of Significant Accounting Policies (Continued)

Item	Depreciation Life	Annual Rate of Depreciation	Residual Value
Electrical equipment	3 years	30%	10%
Electronic devices	3 years	30%	10%
Furniture	5 years	18%	10%

(3) Provision for impairment

Impairment of property and equipment occurs when the recoverable amount of the property and equipment is less than its carrying amount. A full provision should be made if any one of the following conditions exists:

- Property and equipment have become idle for a long period of time, will not be used in the foreseeable future, and has no resale value;
- Property and equipment are not usable due to technological advancement;
- Property and equipment produce a large quantity of sub-standard products;
- Property and equipment have been damaged as a result they have no use or resale value;

C3i Services & Technologies (Dalian) Co., Ltd.

Notes to the Financial Statements

- Property and equipment are practically unable to generate future economic benefits to the enterprise.

9) Revenue recognition

The majority portion of the provision of outsourcing services are to TELERx, the parent company of the Company. The recognition of revenue with TELERx is generally through the Company issues monthly invoices to TELERx of pre-approved relevant actual costs and expenses with applicable taxes and the pre-agreed mark-up per the Master Service Agreement and the effective Statement of Work between two parties.

10) The changes in the presentation of financial statement

There is no impact upon the items and their amounts presented in the financial statements of the Company for the comparable period.

3. Taxation

1) Corporate income tax

The corporate income tax applied to the Company is reduced to 15% from November 2016 due to the tax-reduction policies for advanced technology service enterprise issued by the State Taxation Administration. Such reduction is subject to the validation of the Certificate of High-tech Enterprises and annual filing of relevant supporting documents.

2) Value Added Tax and Relevant Surcharges

The Company is recognised as a VAT General Taxpayer. The current applicable VAT tax rate is zero percent due to tax beneficial policies for international outsourcing services from the State Council. Any export sales is VAT exempted. Since 2016, the Company has been effectively enjoying an exemption of any surcharges relevant to VAT from the local tax authorities.

C3i Services & Technologies (Dalian) Co., Ltd.

Notes to the Financial Statements

4. Notes to the Financial Statements
(All following numbers are in RMB)

1) Cash and cash equivalents

Item	31/12/2018	31/12/2017
Petty cash	863	22,572
Cash in bank	1,486,454	1,079,417
Total	1,487,316	1,101,989

2) Accounts receivable

Item	31/12/2018	31/12/2017
TELERx Marketing, Inc.	24,036,716	20,687,530
MSD (China) Investing Co.	139,920	131,038
Total	24,176,636	20,818,568

3) Other receivable

Aging	31/12/2018	31/12/2017
Within one year	89,420	27,718
1 to 2 years	26,470	
2 to 3 years		224,153
Over 3 years	224,153	
Total	340,043	251,872

C3i Services & Technologies (Dalian) Co., Ltd.

Notes to the Financial Statements

4. Notes to the Financial Statements (Continued)

4) Property and equipment

Cost	31/12/2017	Increase	Decrease	31/12/2018
Furniture	51,596			51,596
Electrical equipment	104,287			104,287
Electronic devices	4,022,274	419,795		4,442,068
Total	4,178,157	419,795	-	4,597,952
Acc. Depreciation	31/12/2017	Increase	Decrease	31/12/2018
Furniture	36,765	5,291		42,056
Electrical equipment	68,790	18,612		87,402
Electronic devices	3,123,734	207,489		3,331,223
Total	3,229,289	231,392	-	3,460,681
Net value	31/12/2017	Increase	Decrease	31/12/2018
Furniture	14,832	—	—	9,541
Electrical equipment	35,497	—	—	16,885
Electronic devices	898,540	—	—	1,110,845
Total	948,868	—	—	1,137,271

5) Taxes payable

Item	31/12/2018	31/12/2017
Individual tax	117,073	133,102
Corporate income tax	170,053	309,618
VAT and Surtaxes		(185,477)
Total	287,126	257,244

C3i Services & Technologies (Dalian) Co., Ltd.

Notes to the Financial Statements

6) Other payable

Aging	31/12/2018	31/12/2017
Within one year	864,311	1,237,239
Total	864,311	1,237,239

4. Notes to the Financial Statements (Continued)

7) Paid-in capital

Item	31/12/2017	Increase	Decrease	31/12/2018
TELERx Marketing, Inc.	1,960,369			1,960,369
Total	1,960,369	-	-	1,960,369

8) Capital reserve

Item	31/12/2017	Increase	Decrease	31/12/2018
Capital reserve	278			278
Total	278	-	-	278

9) Surplus reserve

Item	31/12/2017	Increase	Decrease	31/12/2018
Legal surplus reserve	1,018,214			1,018,214
Total	1,018,214	-	-	1,018,214

10) Undistributed profit

31/12/2017	Increase	Decrease	31/12/2018
18,513,778.66	4,264,788	-	22,778,566

C3i Services & Technologies (Dalian) Co., Ltd.

Notes to the Financial Statements

11) Operating revenue and operating expenses

Account	FY 2018	FY 2017
Operating revenue	32,594,643	38,910,473
Operating cost	17,889,669	23,266,250

5. Related parties and related-party transactions

1) Related parties

Name	Relationship with the Company
HCL Technologies Limited	Ultimate controlling company
TELERx Marketing, Inc.	Parent company
MSD (China) Investing Co.	Affiliate company

2) Related-party transactions

Item	FY2017	FY2018
TELERx Marketing, Inc.	38,690,252	34,548,778
MSD (China) Investing Co.	-	169,070

(1) Due from related-parties

Item	31/12/2017	31/12/2018
TELERx Marketing, Inc.	20,687,530	24,036,716
MSD (China) Investing Co.	131,038	139,920

6. Contingencies

None as of 14 May 2019.

7. Commitments

None as of 14 May 2019.

C3i Services & Technologies (Dalian) Co., Ltd.

Notes to the Financial Statements

8. Subsequent events None as of 14 May 2019.
9. Approval of the financial statements The financial report and notes are approved by the Company on 14 May 2019.

C3i Services & Technologies (Dalian) Co., Ltd.



Chairman/General Manager:

Finance Controller:

Date:

Date:

(The original financial statements have been prepared in Chinese. This English form is prepared for reference only. Should there be any inconsistency or differences interpretation between the Chinese and English versions, the Chinese version shall prevail for all purposes.)