

HCL Technologies (Shanghai) Limited

Audited Financial Statements

31 December 2018

Important Notice

The attached financial statements have been translated from the statutory financial statements prepared in accordance with the *Accounting Standards for Business Enterprises-Basic Standard*. In the event of any differences in interpreting the financial statements, the Chinese version shall prevail.

HCL Technologies (Shanghai) Limited

Index

	Pages
AUDITOR'S REPORT	1 - 3
AUDITED FINANCIAL STATEMENTS	
Balance Sheet	4 - 5
Income Statement	6
Statement of Cash Flows	7 - 8
Statement of Changes in Equity	9
Notes to Financial Statements	10 - 29



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Auditor's report

Ernst & Young Hua Ming (2019) Shen Zi No. 61059626_B03
HCL Technologies (Shanghai) Limited

To the board of directors of HCL Technologies (Shanghai) Limited

(I) Opinion

We have audited the financial statements of HCL Technologies (Shanghai) Limited ("the Company"), which comprise the balance sheet as at 31 December 2018, and the income statement, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Accounting System for Business Enterprises.

(II) Basis for opinion

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with *China Code of Ethics for Certified Public Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

(III) Responsibilities of the management and those charged with governance for the financial statements

The management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting System for Business Enterprises, and for designing, implementing and maintaining such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



Auditor's report (continued)

Ernst & Young Hua Ming (2019) Shen Zi No. 61059626_B03
HCL Technologies (Shanghai) Limited

(IV) Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with CSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



Auditor's report (continued)

Ernst & Young Hua Ming (2019) Shen Zi No. 61059626_B03
HCL Technologies (Shanghai) Limited

(IV) Auditor's responsibilities for the audit of the financial statements (continued)

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

Zhang Fei

Ernst & Young Hua Ming LLP Shanghai Branch

Chinese Certified Public Accountant:

Yuan Xiao Hui

Shanghai, the People's Republic of China

Chinese Certified Public Accountant:

20 May 2019

HCL Technologies (Shanghai) Limited
BALANCE SHEET
31 December 2018
(Expressed in Renminbi Yuan)

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
ASSETS			
Current assets:			
Cash	3	44,982,162.01	50,635,405.77
Short-term investment		18,000,000.00	18,000,000.00
Accounts receivable	4、 5	71,283,267.02	47,396,987.00
Other receivables	6	179,338.54	2,266,531.74
Interest receivables		377,260.28	741,095.89
Prepaid expenses		484,138.42	1,591,676.76
Prepayment		2,101,410.45	-
Other current assets	7	<u>-</u>	<u>1,166,322.36</u>
Total current assets		<u>137,407,576.72</u>	<u>121,798,019.52</u>
Non-current assets:			
Fixed assets cost	8	10,861,724.47	9,364,824.11
Less: Accumulated depreciation	8	<u>4,345,397.72</u>	<u>4,602,733.47</u>
Fixed assets, net	8	6,516,326.75	4,762,090.64
Long-term prepaid expenses	9	<u>1,465,452.16</u>	<u>1,357,088.90</u>
Total non-current assets		<u>7,981,778.91</u>	<u>6,119,179.54</u>
TOTAL ASSETS		<u>145,389,355.63</u>	<u>127,917,199.06</u>

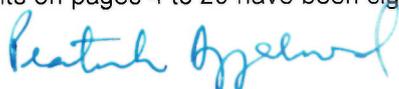
The notes on pages 10 to 29 form an integral part of these financial statements.

HCL Technologies (Shanghai) Limited
BALANCE SHEET (continued)
31 December 2018
(Expressed in Renminbi Yuan)

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
LIABILITIES AND OWNERS' EQUITY			
Current liabilities:			
Accounts payable		80,033,119.79	67,232,225.04
Advances from customers		4,787,872.62	7,899,770.81
Accrued payroll		2,513,499.93	1,514,622.14
Taxes payable	10	1,826,688.02	1,229,418.93
Other payables		2,216,349.00	1,785,911.47
Accrued expenses		<u>4,039,134.31</u>	<u>2,461,788.24</u>
Total liabilities		<u>95,416,663.67</u>	<u>82,123,736.63</u>
Owners' equity:			
Share capital	11	15,316,566.95	15,316,566.95
Surplus reserves	12	3,465,612.49	3,047,689.54
Retained earnings		<u>31,190,512.52</u>	<u>27,429,205.94</u>
Total owners' equity		<u>49,972,691.96</u>	<u>45,793,462.43</u>
TOTAL LIABILITIES AND OWNERS' EQUITY		<u>145,389,355.63</u>	<u>127,917,199.06</u>

The notes on pages 10 to 29 form an integral part of these financial statements.

The financial statements on pages 4 to 29 have been signed by:

Legal representative: 

Financial manager: 

HCL Technologies (Shanghai) Limited
INCOME STATEMENT
For the Year Ended 31 December 2018
(Expressed in Renminbi Yuan)

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
Revenue from principal operations	13	119,541,673.95	94,351,734.72
Less: Taxes and surcharges		35,440.37	202,554.40
Cost of sales		102,758,534.82	78,866,570.72
Operating expenses		184,814.46	1,302,797.26
General and administrative expenses		9,286,255.04	10,829,992.69
Financial expenses	14	<u>(661,271.45)</u>	<u>(722,510.84)</u>
Operating profit		7,937,900.71	3,872,330.49
Add: Subsidy Income		78,753.61	-
Add: Non-operating income		-	-
Less: Non-operating expenses		<u>13,072.08</u>	<u>-</u>
Total profit		8,003,582.24	3,872,330.49
Less: Income tax	15	<u>3,824,352.71</u>	<u>1,913,520.19</u>
Net profit		<u><u>4,179,229.53</u></u>	<u><u>1,958,810.30</u></u>

The notes on pages 10 to 29 form an integral part of these financial statements.

HCL Technologies (Shanghai) Limited
STATEMENT OF CASH FLOWS
For the Year Ended 31 December 2018
(Expressed in Renminbi Yuan)

	<u>Supplementary Notes</u>	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from sale of goods		96,287,338.48	135,971,955.22
Cash received from tax refund		78,753.61	-
Cash received relating to other operating activities		3,117,737.36	62,539.91
Sub-total of cash inflows		99,483,829.45	136,034,495.13
Cash paid for goods		28,135,761.84	66,117,031.27
Cash paid to and on behalf of employees		65,196,786.12	52,957,173.37
Cash paid for all types of taxes		3,715,464.87	4,746,709.46
Cash paid relating to other operating activities		<u>4,133,216.64</u>	<u>3,823,247.15</u>
Sub-total of cash outflows		<u>101,181,229.47</u>	<u>127,644,161.25</u>
Net cash flows from operating activities	(1)	<u>(1,697,400.02)</u>	<u>8,390,333.88</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash received from returns of investments		363,835.61	-
Cash received relating to other operating activities		<u>-</u>	<u>-</u>
Sub-total of cash inflows		<u>363,835.61</u>	<u>-</u>
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		3,645,549.18	2,254,402.24
Cash payments for investments		-	10,000,000.00
Sub-total of cash outflows		<u>3,645,549.18</u>	<u>12,254,402.24</u>
Net cash flows from investing activities		<u>(3,281,713.57)</u>	<u>(12,254,402.24)</u>
EFFECT OF CHANGES IN EXCHANGE RATE ON CASH		<u>(674,130.17)</u>	<u>(1,783,286.24)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		<u>(5,653,243.76)</u>	<u>(5,647,354.60)</u>

The notes on pages 10 to 29 form an integral part of these financial statements.

HCL Technologies (Shanghai) Limited
STATEMENT OF CASH FLOWS (continued)
For the Year Ended 31 December 2018
(Expressed in Renminbi Yuan)

	<u>2018</u>	<u>2017</u>
<u>Supplementary Notes</u>		
1. Reconciliation of net profit to cash flows from operating activities		
Net profit	4,179,229.53	1,958,810.30
Add: Provision for impairment of assets	(472,674.83)	1,177,235.86
Amortisation of long-term prepayments	1,429,774.25	-
Depreciation of fixed assets	1,855,592.12	1,273,016.94
Increase in prepaid expenses	1,107,538.34	83,889.59
Increase in accrued expenses	1,577,346.07	138,036.48
Financial expenses	674,130.17	1,162,738.30
Increase/ (decrease) in operating receivables	(23,763,916.64)	28,865,039.63
Increase/ (decrease) in operating payables	<u>11,715,580.97</u>	<u>(26,329,814.41)</u>
Net cash flows from operating Activities	<u>(1,697,400.02)</u>	<u>8,390,333.88</u>
2. Net increase in cash and cash equivalents		
Cash at end of year	44,982,162.01	50,635,405.77
Less: Cash at beginning of year	<u>50,635,405.77</u>	<u>56,282,760.37</u>
Net increase in cash and cash equivalents	<u>(5,653,243.76)</u>	<u>(5,647,354.60)</u>

The notes on pages 10 to 29 form an integral part of these financial statements.

HCL Technologies (Shanghai) Limited
STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 December 2018
(Expressed in Renminbi Yuan)

	<u>2018</u>	<u>2017</u>
PAID-IN CAPITAL:		
At beginning and end of year	<u>15,316,566.95</u>	<u>15,316,566.95</u>
SURPLUS RESERVE:		
At beginning of year	3,047,689.54	2,851,808.51
Increase in current year	417,922.95	195,881.03
At end of year	<u>3,465,612.49</u>	<u>3,047,689.54</u>
RETAINED EARNINGS:		
At beginning of year	27,429,205.94	25,666,276.67
Appropriation to surplus reserve	(417,922.95)	(195,881.03)
Net profit for the year	<u>4,179,229.53</u>	<u>1,958,810.30</u>
At end of year	<u>31,190,512.52</u>	<u>27,429,205.94</u>

The notes on pages 10 to 29 form an integral part of these financial statements.

HCL Technologies (Shanghai) Limited
NOTES TO FINANCIAL STATEMENTS
For the Year Ended 31 December 2018
(Expressed in Renminbi Yuan)

1. Corporate information

HCL Technologies (Shanghai) Limited ("the Company") is a limited company solely established by HCL TECHNOLOGIES LIMITED on 18 July 2007 upon approval by People's Government of Shanghai. The registered capital of the Company is USD 2,200,000. The aforesaid registered capital has been verified by Shanghai Linxin Accountants Limited with capital verification report Linkuai Fa No.(2009) 575 on 6 May 2009.

The Company obtained business license numbered 91310115664306168R. Its legal representative is PRATEEK AGGARWAL and the operation period is 20 years. Its legal registration address is Room 301, 2 Building, 399 Shengxia Road, Pudong New Area, Shanghai.

The Company is primarily engaged in the following businesses: Computer software development; design, production, sale of products, debugging and maintenance of system integration; relevant technical consulting, technical service; business consulting, enterprise management consulting (business which is involving administrative licensing, will operate with operating permits)

2. Significant accounting policies and estimates

The financial statements have been prepared based on the following accounting policies and estimates, which are in accordance with the Accounting Standards for Business Enterprises, relevant implementation guidance and interpretations.

Accounting system

The Company adopts the Accounting System for Business Enterprises.

Accounting year

The accounting year of the Company is from 1 January to 31 December.

Reporting currency

The Company's reporting and presentation currency is the Renminbi ("Rmb"). Unless otherwise stated, the unit of the currency is RMB Yuan.

Basis of accounting and measurement basis

Unless otherwise stated, the Company's accounts have been prepared on an accrual basis using the historical cost as the basis of measurement. Assets are recorded at cost when they are acquired. Subsequently, if the assets are impaired, impairment provisions are made in accordance with the Accounting System for Business Enterprises.

2. **Significant accounting policies and estimates (continued)**

Foreign currency transactions

The foreign currency transactions are recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate released from Bank of China at the transaction dates.

At the balance sheet date, foreign currency monetary items are translated using the spot exchange rate at the balance sheet date. All the settlement differences and translated differences of monetary items are recognized in profit and loss for the reporting period, except for those generated from foreign currency bank loans specifically for purchase or construction of capitalized assets. Non-monetary foreign currency items measured at historical cost are translated at the spot exchange rate prevailing on the transaction date, and the amount denominated in the functional currency should not be changed.

Cash equivalents

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash, and which are subject to an insignificant risk of changes in value.

Bad debts

Accounts receivable meeting the following criteria are recognised as bad debts:

- the debtor is deceased or has been declared bankrupt and the debts remain uncollectible after considering the assets of the bankrupt or the estate of the deceased debtor;
- debts that are long overdue where there is also evidence indicating that the debts are uncollectible or the possibility of collection is remote.

Specific provisions are made to account for bad debt losses on accounts receivable and other receivables. A specific provision refers to an amount that is provided based on management's assessment of the recoverability of an individual receivable.

Fixed assets

Fixed assets are tangible assets with high unit costs held by the Company for use in production of goods, supply of services, rental or for administrative purposes, and are expected to be used for more than one year.

HCL Technologies (Shanghai) Limited
 NOTES TO FINANCIAL STATEMENTS (continued)
 For the Year Ended 31 December 2018
 (Expressed in Renminbi Yuan)

2. Significant accounting policies and estimates (continued)

Fixed assets

Fixed assets are recorded at cost when acquired. Fixed assets depreciation is calculated using the straight-line method. The respective estimated useful lives and estimated residual values of fixed assets are as follows:

<u>Category</u>	<u>Estimated useful life</u>	<u>Estimated residual value</u>	<u>Annual depreciation rate</u>
Office equipment	5years	0%	20%
Electronic equipment	3-5years	0%	20%-33%

At the end of the accounting period, fixed assets are carried at the lower of book value and recoverable amount. A provision for impairment of fixed assets is made for any difference between the book value and the lower recoverable amount. The recoverable amount of the fixed assets is the greater of the net selling price and the value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Gains or losses arising from the disposal, damage, obsolescence or physical counting of fixed assets are accounted for as non-operating expenses or income in the current year.

Long-term prepayments

Long-term prepayments are amortised over the periods from which the Company derives benefits, on a straight-line basis, as follows:

<u>Item</u>	<u>Beneficial period</u>
Expenses occurred before go alive (Training, labor, travel expense)	3-5 years

Revenue recognition

Revenue from the sale of goods is recognised when:

- the significant risks and rewards in relation to ownership of the goods have been transferred to the buyer;
- the Company maintains neither continuing managerial involvement nor effective control over the goods sold;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the relevant amounts of revenue and costs can be measured reliably.

HCL Technologies (Shanghai) Limited
NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended 31 December 2018
(Expressed in Renminbi Yuan)

2. Significant accounting policies and estimates (continued)

Revenue recognition (continued)

Rendering of services are recognised when the results of service providing transactions can be estimated reliably and the transactions initiate and terminate within one fiscal year. For inter-temporal services, rendering of services are recognised by percentage of completion.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged to the income statement on a straight-line basis over the lease terms.

Income tax

Income tax is accounted for using the tax payable method, whereby the income tax provision is calculated based on the applicable income tax rate and the accounting results for the year after adjusting for items which are non-assessable or disallowed in accordance with the relevant tax laws.

Related party

In financial and operating decisions, if a party has the power to control, jointly control or exercise significant influence over another party, they are regarded as related parties. Two or more parties are also regarded as related parties if they are subject to control, joint control or significant influence from the same party.

3. Cash

	2018	2017
Cash in bank	<u>44,982,162.01</u>	<u>50,635,405.77</u>

4. Accounts receivable

	2018	2017
Accounts receivable	72,739,231.05	49,325,625.86
Less: Bad debt provision	<u>1,455,964.03</u>	<u>1,928,638.86</u>
	<u>71,283,267.02</u>	<u>47,396,987.00</u>

HCL Technologies (Shanghai) Limited
 NOTES TO FINANCIAL STATEMENTS (continued)
 For the Year Ended 31 December 2018
 (Expressed in Renminbi Yuan)

4. Accounts receivable (continued)

The ageing analysis is as below:

	2018			2017		
	Balance	%	Bad debt Provision	Balance	%	Bad debt provision
Within 1 year	63,591,621.16	-	-	49,325,625.86	100	1,928,638.86
1-2 years	<u>9,147,609.89</u>	<u>100</u>	<u>1,455,964.03</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>72,739,231.05</u>	<u>100</u>	<u>1,455,964.03</u>	<u>49,325,625.86</u>	<u>100</u>	<u>1,928,638.86</u>

5. Bad debt provision

	Opening balance	Additions	Reversals	Closing balance
Accounts receivable	<u>1,928,638.86</u>	<u>-</u>	<u>472,674.83</u>	<u>1,455,964.03</u>

6. Other receivables

	2018	2017
Other receivables	<u>179,338.54</u>	<u>2,266,531.74</u>

7. Other current assets

	2018	2017
Deductible VAT	-	1,166,322.36
Entrust loan	<u>-</u>	<u>-</u>
	<u>-</u>	<u>1,166,322.36</u>

8. Fixed assets

2018	Electronic Equipments	Office Equipments	Total
Cost			
Opening Balance	9,276,489.06	88,335.05	9,364,824.11
Additions	3,358,376.97	287,172.18	3,645,549.15
Disposals	<u>2,148,648.79</u>	<u>-</u>	<u>2,148,648.79</u>
Closing balance	<u>10,486,217.24</u>	<u>375,507.23</u>	<u>10,861,724.47</u>

HCL Technologies (Shanghai) Limited
NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended 31 December 2018
(Expressed in Renminbi Yuan)

8. Fixed assets (continued)

2018 (continued)			
	Electronic Equipments	Office Equipments	Total
Accumulated depreciation			
Opening balance	4,516,134.69	86,598.78	4,602,733.47
Charge for the year	1,793,878.72	61,713.40	1,855,592.12
Written back			
On disposal	<u>2,112,927.87</u>	<u>-</u>	<u>2,112,927.87</u>
Closing balance	<u>4,197,085.54</u>	<u>148,312.18</u>	<u>4,345,397.72</u>
Net book value			
As of 31 Dec.2017	<u>4,760,354.37</u>	<u>1,736.27</u>	<u>4,762,090.64</u>
As of 31 Dec.2018	<u>6,289,131.70</u>	<u>227,195.05</u>	<u>6,516,326.75</u>
2017			
	Electronic Equipments	Office Equipments	Total
Cost			
Opening Balance	7,455,221.78	88,335.05	7,543,556.83
Additions	2,254,402.24	-	2,254,402.24
Disposals	<u>433,134.96</u>	<u>-</u>	<u>433,134.96</u>
Closing balance	<u>9,276,489.06</u>	<u>88,335.05</u>	<u>9,364,824.11</u>
Accumulated depreciation			
Opening balance	3,690,771.71	72,079.78	3,762,851.49
Charge for the year	1,258,497.94	14,519.00	1,273,016.94
Written back			
On disposal	<u>433,134.96</u>	<u>-</u>	<u>433,134.96</u>
Closing balance	<u>4,516,134.69</u>	<u>86,598.78</u>	<u>4,602,733.47</u>
Net book value			
As of 31 Dec.2016	<u>3,764,450.07</u>	<u>16,255.27</u>	<u>3,780,705.34</u>
As of 31 Dec.2017	<u>4,760,354.37</u>	<u>1,736.27</u>	<u>4,762,090.64</u>

As at 31 December, Management of the Company was in view of that no fixed assets impairment should be provided.

HCL Technologies (Shanghai) Limited
NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended 31 December 2018
(Expressed in Renminbi Yuan)

9. Long-term prepayments

	2018	2017
<u>Expenses occurred before go alive</u>		
Long-term prepayments	<u>1,465,452.16</u>	<u>1,357,088.90</u>

10. Taxes payable

	2018	2017
Value added tax	220,360.45	243,037.63
Urban construction tax	(17,161.54)	-
Income tax	<u>1,623,489.11</u>	<u>986,381.30</u>
	<u>1,826,688.02</u>	<u>1,229,418.93</u>

The major categories of taxes applicable to the Company and the respective tax rates are as follows:

- | | | |
|--|---|---|
| (1) Value added tax ("VAT") - | - | In accordance with the relevant tax laws in the PRC, the VAT rate for sales is 6%. VAT is levied at 6% on the invoiced value of sales and is payable by the purchaser. The Company is required to remit the VAT it collects to the tax authority, but may deduct the VAT it has paid on eligible purchases. |
| (2) Income tax | - | The company is applicable for statutory tax rate of 25%. |
| (3) Withholding of individual income tax | - | In accordance with the relevant tax laws in the PRC, the Company is required to withhold individual income tax on salaries paid to its employees. |
| (4) Withholding of company tax | - | In accordance with the relevant tax laws in the PRC, the Company is required to withhold company income tax on interest and technology transfer fee paid to overseas investors and intercompanies. |

HCL Technologies (Shanghai) Limited
NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended 31 December 2018
(Expressed in Renminbi Yuan)

11. Paid-in capital

Registered:

	<u>2018</u>		<u>2017</u>	
	RMB	%	RMB	%
HCL Technologies Ltd.	<u>15,316,566.95</u>	<u>100.00</u>	<u>15,316,566.95</u>	<u>100.00</u>

Paid in:

	<u>2018</u>		<u>2017</u>	
	RMB	%	RMB	%
HCL Technologies Ltd.	<u>15,316,566.95</u>	<u>100.00</u>	<u>15,316,566.95</u>	<u>100.00</u>

Shanghai Lin Xin Accountant Firm issued Linkuai Fa No.(2009) 575 capital verification report.on 6 May 2009.

12. Surplus reserve

2018	Opening Balance	Additions	Decrease	Closing Balance
Surplus reserve	<u>3,047,689.54</u>	<u>417,922.95</u>	<u>-</u>	<u>3,465,612.49</u>

According to the provisions of Company Law and the Company's articles of association, the Company appropriates statutory surplus reserve at 10% of the net profit. Where the accumulated amount of surplus reserve reaches 50% or more of the company's registered capital, additional appropriation is not needed.

13. Revenue from principal operations

	2018	2017
Rendering of services	<u>119,541,673.95</u>	<u>94,351,734.72</u>

14. Financial expenses

	2018	2017
Interest expense / (gain)	(1,030,544.16)	(703,752.43)
Exchange loss / (gain)	297,323.60	(83,762.55)
Others	<u>71,949.11</u>	<u>65,004.14</u>
	<u>(661,271.45)</u>	<u>(722,510.84)</u>

HCL Technologies (Shanghai) Limited
NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended 31 December 2018
(Expressed in Renminbi Yuan)

15. Income Tax	2018	2017
Income tax for the year	3,200,551.46	1,485,441.99
Income tax adjusted for the prior year	<u>623,801.25</u>	<u>428,078.20</u>
	<u><u>3,824,352.71</u></u>	<u><u>1,913,520.19</u></u>

16. Related party relationships and transactions

Details of the Company's investor, which has a controlling interest in the Company, are as follows:

<u>Name of Investor</u>	<u>Registered Country</u>	<u>Equity interest held and its changes during the year</u>
HCL Technologies Ltd.	India	100%
<u>Name of related party</u>	<u>Relationship</u>	
HCL America Inc.	Company controlled by the ultimate controlling company	
HCL Axon Solutions (Shanghai) Co. Limited	Company controlled by the ultimate controlling company	
HCL Technologies Germany GmbH	Company controlled by the ultimate controlling company	
HCL Technologies Finland Oy	Company controlled by the ultimate controlling company	
HCL Technologies BV	Company controlled by the ultimate controlling company	
HCL GmbH	Company controlled by the ultimate controlling company	
HCL Technologies France	Company controlled by the ultimate controlling company	
Geometric China, Inc.	Company controlled by the ultimate controlling company	
FILIAL ESPAÑOLA DE HCL TECHNOLOGIES, S.L.(HCL Spain)	Company controlled by the ultimate controlling company	
HCL Technologies UK Limited	Company controlled by the ultimate controlling company	
HCL Singapore Pte. Limited, Singapore	Company controlled by the ultimate controlling company	
HCL Japan Limited	Company controlled by the ultimate controlling company	
HCL Technologies Limited - Swiss Branch	Company controlled by the ultimate controlling company	
HCL Axon Technologies Inc. -SD	Company controlled by the ultimate controlling company	
HCL Technologies Corporate Services Limited	Company controlled by the ultimate controlling company	
HCL Technologies Sweden AB	Company controlled by the ultimate controlling company	

HCL Technologies (Shanghai) Limited
NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended 31 December 2018
(Expressed in Renminbi Yuan)

16. Related party relationships and transactions (continued)

<u>Name of related party (continued)</u>	<u>Relationship</u>
HCL (Brazil) Tecnologia da informacao Ltda.	Company controlled by the ultimate controlling company
HCL Hungry Kft	Company controlled by the ultimate controlling company
HCL Australia Services Pty. Limited, Australia	Company controlled by the ultimate controlling company
HCL Axon (Pty) Limited	Company controlled by the ultimate controlling company
HCL İstanbul Bilişim Teknolojileri Limited Şirketi	Company controlled by the ultimate controlling company
HCL Technologies Solutions GmbH (fly Axon Solutions Schweiz)	Company controlled by the ultimate controlling company
HCL Technologies Limited - Finland Branch	Company controlled by the ultimate controlling company
PT. HCL Technologies Indonesia	Company controlled by the ultimate controlling company
HCL Technologies Limited BPO Services	Company controlled by the ultimate controlling company
HCL Technologies Philippines Inc	Company controlled by the ultimate controlling company
HCL Technologies Middle East FZ- LLC	Company controlled by the ultimate controlling company
HCL Technologies Denmark ApS	Company controlled by the ultimate controlling company
HCL Saudi Arabia LLC	Company controlled by the ultimate controlling company
HCL Sweden AB	Company controlled by the ultimate controlling company
HCL Great Britain Limited	Company controlled by the ultimate controlling company
HCL Technologies Holland	Company controlled by the ultimate controlling company
HCL Technologies Ltd. Finland Br	Company controlled by the ultimate controlling company
HCL Technologies Beijing Co., Ltd	Company controlled by the ultimate controlling company
HCL Netherlands B.V. Urban Fulfillment Service	Company controlled by the ultimate controlling company
HCL Technologies South Africa (Proprietary) Limited	Company controlled by the ultimate controlling company
HCL Technologies Norway AS	Company controlled by the ultimate controlling company
HCL AXON Malaysia Sdn Bhd (fy Axon Solutions Sdn Bhd)	Company controlled by the ultimate controlling company
HCL Ireland Information	Company controlled by the ultimate controlling company
HCL Belgium NV	Company controlled by the ultimate controlling company
HCL Italy SLR	Company controlled by the ultimate controlling company

HCL Technologies (Shanghai) Limited
NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended 31 December 2018
(Expressed in Renminbi Yuan)

16. **Related party relationships and transactions (continued)**

<u>Name of related party (continued)</u>	<u>Relationship</u>
HCL (New Zealand) Limited, New Zealand	Company controlled by the ultimate controlling company
Axon Solutions Limited	Company controlled by the ultimate controlling company
HCL Poland SP.Zoo	Company controlled by the ultimate controlling company
HCL Technologies Austria GmbH	Company controlled by the ultimate controlling company
HCL Technologies Limited - Russia Branch	Company controlled by the ultimate controlling company
HCL Technologies Limited - UAE Branch	Company controlled by the ultimate controlling company
HCL Technologies Limited - Israel Branch	Company controlled by the ultimate controlling company
HCL Technologies (Thailand) Ltd.	Company controlled by the ultimate controlling company
HCL Technologies Chile SpA	Company controlled by the ultimate controlling company
HCL Axon (Malaysia) Sdn.Bhd	Company controlled by the ultimate controlling company
HCL Comnet Limited	Company controlled by the ultimate controlling company
HCL Comnet Systems and Services Limited	Company controlled by the ultimate controlling company
HCL Technologies Colombia SAS	Company controlled by the ultimate controlling company
HCL Technologies B.V.	Company controlled by the ultimate controlling company
HCL Technologies UK Ltd.	Company controlled by the ultimate controlling company
HCL Technologies Sweden AB	Company controlled by the ultimate controlling company
HCL Axon Technologies Inc.SD	Company controlled by the ultimate controlling company
HCL Technologies Italy S.p.A.	Company controlled by the ultimate controlling company
Axon Solutions Schweiz GmbH	Company controlled by the ultimate controlling company
HCL Technologies Limited Czech REPUBLIC s.r.o.	Company controlled by the ultimate controlling company
HCL Mexico S. de R.L.	Company controlled by the ultimate controlling company
HCL Technologies Columbia S.A.S	Company controlled by the ultimate controlling company
HCL ARGENTINA S.A.	Company controlled by the ultimate controlling company
HCL Technologies Holland	Company controlled by the ultimate controlling company
HCL Technologies Belgium BVBA	Company controlled by the ultimate controlling company
Axon Solutions Pty. Ltd.	Company controlled by the ultimate controlling company
HCL Hong Kong SAR Limited	Company controlled by the ultimate controlling company

HCL Technologies (Shanghai) Limited
NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended 31 December 2018
(Expressed in Renminbi Yuan)

16. Related party relationships and transactions (continued)

Significant transactions between the Company and its related parties during the year are as follows:

(1) Sales and purchases	2018	2017
<u>Sales of goods and services</u>		
HCL America Inc.	32,062,622.52	19,129,747.00
HCL Technologies Limited	11,468,064.02	8,048,375.50
HCL Axon Solutions (Shanghai) Co., Ltd.	6,533,044.56	2,202,719.42
HCL Technologies B.V.	2,824,536.90	768,319.00
HCL GmbH	2,603,563.66	1,805,755.00
HCL Technologies Finland Oy	2,562,341.24	-
HCL Technologies France	2,557,004.61	1,445,595.25
HCL Technologies Germany GmbH	2,163,444.23	83,330.00
HCL Technologies UK Ltd.	1,155,921.87	814,881.00
HCL Hong Kong SAR Limited	1,082,041.00	3,594,138.00
HCL AXON Malaysia Sdn Bhd	1,002,930.58	-
HCL Singapore Pte. Ltd.	831,532.08	607,580.00
HCL Ireland Information	831,289.56	-
HCL Axon Technologies Inc. SD	782,069.97	798,905.00
Geometric China, Inc.	730,355.00	-
FILIAL ESPAÑOLA DE HCL TECHNOLOGIES	602,735.24	46,616.00
HCL Belgium NV	564,443.29	801,425.90
HCL Australia Services Pty. Limited	384,929.00	467,182.00
HCL Technologies Limited- Swiss Branch	377,580.71	153,799.00
HCL Japan Ltd.	311,701.81	303,820.00
HCL Technologies Sweden AB	566,891.53	2,020,178.00
HCL Great Britain Ltd.	234,462.75	277,048.00
HCL Mexico S. de R.L	200,845.95	-
HCL Technologies Corporate Services Limited	121,687.00	-
HCL Axon (Pty) Limited	115,499.28	-
HCL Technologies Denmark Aps	77,792.19	181,564.00
HCL Netherlands B.V.	71,489.97	28,338.00
HCL Hungary Kft	69,273.00	-
HCL Technologies Italy S.p.A.	67,926.24	28,786.00
HCL (New Zealand) Ltd.	66,420.93	81,573.00
HCL Technologies Limited- Finland Branch	59,187.90	1,185,059.00
HCL İstanbul Bilişim Teknolojileri Limited Şirketi	52,423.00	-
Axon Solutions Schweiz GmbH	48,367.75	186,169.00

HCL Technologies (Shanghai) Limited
NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended 31 December 2018
(Expressed in Renminbi Yuan)

16. Related party relationships and transactions (continued)

Significant transactions between the Company and its related parties during the year are as follows (continued):

(1) Sales and purchases (continued)

	2018	2017
<u>Sales of goods and services (continued)</u>		
HCL Technologies Norway AS	17,734.96	-
Hcl Technologies Philippines, Inc.	10,379.52	11,808.00
HCL Technologies Middle East FZ- LLC	8,147.24	-
HCL Technologies Columbia S.A.S	-	1,959,695.00
HCL (Brazil) Tecnologia da informacao Ltda.	-	12,385.00
HCL Technologies Limited - Russia Branch	-	141,800.00
HCL Technologies Limited Czech REPUBLIC s.r.o.	-	108,756.00
	<u>73,551,223.06</u>	<u>47,295,347.07</u>
	2018	2017
<u>Purchases of goods and services</u>		
HCL America Inc.	12,949,624.67	1,002,862.79
HCL Great Britain Ltd.	2,943,280.92	67,775.20
HCL Technologies Germany GmbH	2,899,583.55	2,709,503.59
HCL Technologies Limited	5,021,908.68	7,701,577.07
HCL Technologies UK Ltd.	2,079,431.30	1,289,042.40
HCL Axon Solutions (Shanghai) Co. Limited	4,041,766.55	4,694,556.40
HCL Axon Technologies Inc.	1,229,697.70	2,594,098.82
HCL Technologies Beijing Co., Ltd	699,266.60	-
HCL Netherlands B.V.	636,469.63	-
HCL (Brazil) Tecnologia da informacao Ltda.	566,652.20	20,638.23
HCL Singapore Pte. Ltd.	237,587.28	3,119,513.51
HCL Australia Services Pty. Ltd.	224,898.18	418,765.41
HCL Technologies Limited- Swiss Branch	179,683.86	148,836.07
HCL SWEDEN AB	144,212.84	10,141.21
HCLAXON (Malaysia) Sdn. Bhd.	128,290.21	118,941.00

HCL Technologies (Shanghai) Limited
NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended 31 December 2018
(Expressed in Renminbi Yuan)

16. Related party relationships and transactions (continued)

Significant transactions between the Company and its related parties during the year are as follows (continued):

(1) Sales and purchases (continued)

HCL Mexico S.De.R.L.De.C.V.	110,034.41	154,125.57
Urban Fulfillment Service	83,135.80	-
HCL Technologies South Africa (Proprietary) Limited	64,429.28	-
HCL Axon (Pty) Limited	60,039.86	-
HCL Technologies Norway AS	49,555.78	32,537.41
HCL Argentina	26,814.79	-
Hcl Technologies Philippines, Inc.	20,040.10	7,603.49
HCL Technologies Finland Oy	13,175.05	-
HCL Technologies BV	11,603.35	-
HCL Technologies Sweden AB	6,915.39	-
HCL Technologies Limited - Russia Branch	-	336,805.39
HCL GmbH, Germany	-	196,485.06
HCL Poland SP.Zoo	-	292,191.35
HCL Technologies Austria GmbH	-	158,285.65
HCL Technologies Limited Czech REPUBLIC s.r.o.	-	107,308.79
HCL Technologies France	-	95,908.54
HCL Belgium NV	-	53,935.61
HCL Italy SRL	-	13,748.40
HCL Technologies Thailand Ltd	-	11,902.89
	<u>34,428,097.98</u>	<u>25,357,089.85</u>

HCL Technologies (Shanghai) Limited
NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended 31 December 2018
(Expressed in Renminbi Yuan)

16. Related party relationships and transactions (continued)

(2) Amounts due from/to related parties

	2018	2017
<u>Accounts receivable</u>		
HCL America Inc.	13,151,240.10	7,665,622.79
HCL Axon Solutions (Shanghai) Co., Ltd.	12,148,455.99	2,588,818.87
HCL Technologies Limited	9,403,991.06	5,741,661.71
HCL Technologies Germany Gmbh	2,163,444.23	83,330.00
HCL Technologies Finland Oy	1,817,881.00	-
HCL Technologies B.V.	1,696,634.23	331,380.00
HCL GmbH	1,430,406.45	1,008,579.84
HCL Technologies France	1,316,154.96	502,164.00
Geometric China, Inc.	735,102.00	-
FILIAL ESPAÑOLA DE HCL TECHNOLOGIES, S.L.(HCL Spain)	462,287.41	-
HCL Technologies UK Ltd.	406,420.03	657,139.00
HCL Singapore Pte. Ltd.	272,227.25	498,322.00
HCL Hong Kong SAR Limited	269,787.00	890,728.00
HCL Japan Ltd.	263,610.81	328,033.00
HCL Technologies Limited- Swiss Branch	233,338.73	130,395.00
HCL Mexico S. de R.L.	200,845.95	-
HCL Axon Technologies Inc.	113,374.98	171,788.00
HCL Technologies Corporate Services Limited	105,224.00	-
HCL Technologies Sweden AB	134,271.48	1,572,619.00
HCL (Brazil) Tecnologia da informacao Ltda.	78,542.66	221,905.38
HCL Hungry Kft	69,273.00	-

HCL Technologies (Shanghai) Limited
NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended 31 December 2018
(Expressed in Renminbi Yuan)

16. Related party relationships and transactions (continued)

(2) Amounts due from/to related parties (continued)

	2018	2017
<u>Accounts receivable (continued)</u>		
HCL Australia Services Pty. Ltd.	68,743.00	1,393.50
HCL Axon (Pty) Limited	60,984.51	123,629.00
HCL İstanbul Bilişim Teknolojileri Limited Şirketi	52,423.00	-
HCL Technologies Solutions GmBh	48,367.75	-
HCL Technologies Limited- Finland Branch	39,603.45	133,646.00
PT. HCL Technologies Indonesia	19,363.46	19,363.46
HCL Technologies Philippines Inc	10,379.52	-
HCL Technologies Middle East FZ- LLC	8,147.24	-
HCL Technologies Denmark ApS	6,882.28	-
HCL Saudi Arabia	5,914.49	11,808.00
HCL Technologies Sweden AB	3,450.00	-
HCL Technologies Columbia S.A.S	-	1,954,111.47
HCL Technologies Limited - Russia Branch	-	141,800.00
HCL (New Zealand) Ltd.	-	39,145.00
<u>Advances from customers</u>		
HCL Technologies Colombia SAS	1,644,793.84	-
HCL Netherlands B.V.	1,213,508.94	-
HCL Belgium NV	449,644.63	-
HCL Great Britain Limited.	80,750.79	303,907.60
HCL Argentina S.A.	23,260.81	41,014.17
HCL Axon Solutions (Shanghai)Co.,Ltd.	800.91	4,000,000.00
HCL Technologies Holland	-	1,270,011.23
HCL Tech Belgium BVBA	-	1,005,557.46
HCL Technologies Finland Oy	-	445,136.77
FILIAL ESPAÑOLA DE HCL TECHNOLOGIES	-	135,576.30

HCL Technologies (Shanghai) Limited
NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended 31 December 2018
(Expressed in Renminbi Yuan)

16. **Related party relationships and transactions (continued)**

(2) Amounts due from/to related parties (continued)

	2018	2017
<u>Accounts payable</u>		
HCL Great Britain Ltd.	28,128,825.98	25,774,559.97
HCL America Inc.	13,816,095.53	594,178.16
HCL Axon Technologies Inc.	6,828,639.08	5,750,782.24
HCL Technologies Germany	5,754,663.15	5,345,375.91
HCL Singapore Pte. Ltd.	3,462,448.70	3,108,004.24
HCL Technologies UK Ltd.	3,368,658.13	1,291,107.12
HCL (Brazil) Tecnologia da informacao Ltda.	3,127,757.71	2,439,236.14
HCL Technologies Limited	3,803,786.44	12,269,718.52
HCL Axon Solutions (Shanghai) Co. Limited	2,871,478.27	8,436,126.63
HCL Netherlands B.V.	1,199,642.73	543,884.63
HCL Australia Services Pty. Ltd.	845,959.95	751,017.31
HCL Mexico S.De.R.L.De.C.V.	776,079.34	635,010.61
HCL Axon (Malaysia) Sdn. Bhd.	632,202.75	485,787.02
Axon Solutions Pty. Ltd.	409,858.87	440,898.76
Axon Solutions Limited	343,359.10	343,859.87
HCL Technologies Finland Oy	338,262.18	318,225.22
HCL Technologies Limited - Swiss Branch	331,341.54	148,836.07
HCL Technologies Ltd. Finland Br	312,298.97	442,255.88
HCL Poland Sp.z.o.o.	300,192.87	305,785.00
HCL Technologies Sweden AB	262,099.09	116,484.79
HCL Technologies France	244,872.44	311,464.10
HCL Technologies Beijing Co., Ltd	212,429.92	-
HCL GmbH, Germany GmbH	199,686.80	2,186,471.75
HCL Technologies Italy S.p.A.	183,280.02	181,372.86
HCL TECHNOLOGIES CZech REPUBLIC s.r.o.	109,307.62	108,903.91
HCL Technologies Austria GmbH	89,514.08	87,863.17
Urban Fulfillment Service	83,135.80	-
HCL Technologies Norway AS	81,420.48	31,948.22
HCL Technologies South Africa (Proprietary) Limited	64,429.28	-

HCL Technologies (Shanghai) Limited
NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended 31 December 2018
(Expressed in Renminbi Yuan)

16. Related party relationships and transactions (continued)

(2) Amounts due from/to related parties (continued)

	2018	2017
<u>Accounts payable (continued)</u>		
HCL Belgium NV	57,762.60	57,161.54
HCL Technologies Colombia SAS	41,050.89	38,838.55
HCL Technologies Limited		
Russia Branch	35,005.63	679,337.69
Hcl Technologies Philippines, Inc.	27,444.55	7,385.12
HCL Argentina	26,814.79	-
HCL SWEDEN AB	16,669.91	9,857.78
FILIAL ESPAÑOLA DE HCL		
TECHNOLOGIES, S.L.(HCL Spain)	15,539.95	14,510.37
HCL Technologies Limited- UAE Branch	13,350.03	-
HCL Technologies Limited		
- Israel Branch	13,303.45	13,601.55
HCL Technologies Thailand Ltd	12,594.38	11,836.78
HCL Technologies BV	11,603.35	-
HCL Hong Kong SAR Limited	3,117.79	3,117.79
HCL Comnet Ltd	-	42,548.58
Filial Espanola De HCL		
Technologies S.L.	-	15,378.25
HCL Technologies		
Middle East FZ-LLC	-	12,629.39

HCL Technologies (Shanghai) Limited
 NOTES TO FINANCIAL STATEMENTS (continued)
 For the Year Ended 31 December 2018
 (Expressed in Renminbi Yuan)

16. Related party relationships and transactions (continued)

(2) Amounts due from/to related parties (continued)

	2018	2017
<u>Advanced payment</u>		
HCL Comnet Systems and Services Limited	77,936.10	-
HCL Japan Limited, Japan	9,797.35	-
 <u>Other Receivables</u>		
HCL Technologies Limited	27,412.00	-
HCL Axon Solutions (Shanghai) Co., Ltd.	-	1,707,279.21
HCL TECHNOLOGIES COLOMBIA S A S	-	51,880.18
 <u>Other payables</u>		
HCL Axon Solutions (Shanghai) Co., Ltd.	2,000,000.00	546,296.00
HCL Technologies Sweden AB	-	760,406.93
 <u>Short-term Investment</u>		
HCL Technologies (Beijing) Limited	18,000,000.00	18,000,000.00

Amounts due from/to related parties are interest free, unsecured and repayable within 1 year.

17. Commitments

The non-cancellable minimum lease payments for each of the next three years subsequent to the balance sheet date and aggregate minimum lease payments thereafter are as follows:

HCL Technologies (Shanghai) Limited
NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended 31 December 2018
(Expressed in Renminbi Yuan)

17. Commitments (continued)

Operating lease commitments	2018	2017
The 1st year	-	-
The 2nd year	-	-
	<u>-</u>	<u>-</u>

18. Contingencies

As of the balance sheet date, there were no contingencies that the Company was required to disclose.

19. Events occurring after the balance sheet date

The company has no events occurring after the balance sheet date need to disclosure.

20. Approval of the financial statements

The financial statements have been authorised for issuance by the board of directors on 20 May 2019.

HCL Technologies (Shanghai) Limited
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended 31 December 2018
 (Expressed in Renminbi Yuan)

Adjustment Items	The Adjustment			Note
	Description	Increase	Decrease	
1. Non-operating income	Fines or late fees	13,072.08	-	
2. Accrued payroll	Changes in advance charges	2,857,475.95	-	
3. Management cost	Provision for bad debts	278,728.17	-	
4. Wage payable	Changes in payroll payable	1,029,170.23	-	
5. Operating costs/ Management costs /Sales costs	Non-listable commercial insurance	642,280.22	-	
1. Net of adjustment		4,820,726.65		
2. Total profit listed in the Income statement		8,003,582.24		
3. Taxable income after adjustment		12,824,308.89		

The above information is not audited, only for management reference. The final results are subject to the IRD's approval.

