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C3i Services & Technologies (Dalian) Co., Ltd

Independent Auditor's Report

D.H.S.Z. [2020] No. 001476



Da Hua Certified Public Accountants (Special General Partnership)

C3i Services & Technologies (Dalian) Co., Ltd

Financial Statements

For the Year Ended 31 December 2019

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D.H.S.Z. [2020] No. 001476

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 2019, 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 2019, 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.

CICPA:

Da Hua Certified Public Accountant
(Special General Partnership)

CICPA:

Beijing · China

15 May 2020

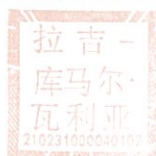


C3i Services & Technologies (Dalian) Co, Ltd.

Statement of Comprehensive Income

<i>Year ended 31 December</i>		2019		2018
Revenue (Note 4.11)	RMB	32,436,706	RMB	32,594,643
Cost of sales (Note 4.11)		17,116,093		17,889,669
Taxes and Surcharges		11,703		5,754
Gross profit		15,308,910		14,699,220
Selling expenses				80,038
G&A expensesG&A		11,168,917		10,696,402
Finance cost		-393,136		-981,236
Total operating expenses		10,775,781		9,795,204
Operating income (loss)		4,533,130		4,904,017
Non-operating revenue		117,152		147,187
Non-operating expenses				
Non-operating income (loss)		117,152		147,187
Income (loss) before income tax		4,650,282		5,051,204
Income tax		1,183,531		786,416
Net income (loss)	RMB	3,466,750	RMB	4,264,788

See the accompanying notes to the financial statements.





Year ended 31 December	2019	2018
Assets		
Current Assets		
Cash and cash equivalents (Note 4.1)	RMB 3,623,224	RMB 1,487,317
Note receivables & Accounts receivable (Note 4.2)	24,825,054	24,176,636
Advances to suppliers	179,026	172,861
Other receivable (Note 4.3)	305,024	340,043
Other current assets	49,923	58,134
Total Current Assets	28,982,251	26,234,991
Non-current Assets		
Property and equipment	4,915,700	4,597,952
Less: accumulated depreciation	(3,883,484)	(3,460,681)
Net property and equipment (Note 4.4)	1,032,216	1,137,271
Intangible assets	5,091	7,000
Long term prepaid expenses		56,679
Total Non-current Assets	1,037,307	1,200,950
Total Assets	RMB 30,019,558	RMB 27,435,941

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

Statement of Financial Position (Continued)

<i>Year ended 31 December</i>	2019	2018
Liabilities and Shareholders' Equity		
Current Liabilities		
Accrued payroll	RMB	RMB 527,077
Tax payable (Note 4.5)	332,375	287,126
Other payable (Note 4.6)	463,005	864,311
Total Current Liabilities	795,380	1,678,514
Total Liabilities	795,380	1,678,514
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)	26,245,317	22,778,566
Total Shareholders' Equity	29,224,178	25,757,428
Total Liabilities and Shareholders' Equity	RMB 30,019,558	RMB 27,435,941

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 2018	1,960,369	278	18,513,779	1,018,214	21,492,640
Paid-in capital					
Capital reserve					
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
Foreign paid-in capital					
Capital surplus					
Surplus reserve					
Net income			3,466,750		3,466,750
Balance as at 31 December 2019	1,960,369	278	26,245,317	1,018,214	29,224,178





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

Statement of Cash Flows

Year ended 31 December

2019

2018

Cash flows from operating activities:

Cash received from selling goods or rendering services	RMB	32,208,010	RMB	29,236,574
Tax refunds received		416,452		426,537
Other cash received relating to operating activities		191,444		35,664,459
Subtotal of cash inflows from operating activities		32,815,906		65,327,570
Cash paid for purchasing goods or receiving services		580,749		14,750,287
Cash paid to or on behalf of employees		19,943,753		20,286,494
Taxes and surcharges paid		1,765,420		2,282,299
Other cash paid relating to operating activities		8,072,328		27,203,369
Subtotal of cash outflows from operating activities		30,362,250		64,522,448
Net cash flows from operating activities		2,453,656		805,122

Cash flows from investing activities:

Net cash paid to acquire subsidiaries and other operating business units"		317,749		419,795
Net cash flows from investing activities		(317,749)		(419,795)

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		2,135,907		385,327
Cash and cash equivalents at beginning of year		1,487,316		1,101,989
Cash and cash equivalents at end of year	RMB	3,623,224	RMB	1,487,316

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., is Telerx Marketing Inc. ("Telerx"), and HCL Technologies Limited 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 1) Basis of preparation of financial statements

significant accounting policies

The financial statements are compiled in accordance with the Accounting Standards for Business Enterprises (ASBE) - Basic Standard and all relevant accounting standards and regulations.

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

Notes to the Financial Statements

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.

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

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

Notes to the Financial Statements

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

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

Notes to the Financial Statements

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 1) Cash and cash equivalents

Financial
Statements
(All following
numbers are
in RMB)

Item	31/12/2019	31/12/2018
Petty cash	2,927	863
Cash in bank	3,620,297	1,486,454
Total	3,623,224	1,487,316

2) Accounts receivable

Item	31/12/2019	31/12/2018
TELERx Marketing, Inc.	24,539,107	24,036,716
Allergan Information Consulting (Chengdu) Co.	124,734	
MSD (China) Investing Co.	122,909	139,920
AGN Info Consulting (Shanghai) Co.	38,304	
Total	24,825,054	24,176,636

3) Other receivable

Aging	31/12/2019	31/12/2018
Within one year	54,401	89,420
1 to 2 years		26,470
2 to 3 years	26,470	
Over 3 years	224,153	224,153
Total	305,024	340,043

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

Notes to the Financial Statements

4. Notes to the Financial Statements (Continued)

4) Property and equipment

Cost	31/12/2018	Increase	Decrease	31/12/2019
Furniture	51,596			51,596
Electrical equipment	104,287			104,287
Electronic devices	4,442,068	317,749		4,759,817
Total	4,597,952	317,749	-	4,915,700

Acc. Depreciation	31/12/2018	Increase	Decrease	31/12/2019
Furniture	42,056	2,802		44,858
Electrical equipment	87,402	2,010		89,412
Electronic devices	3,331,223	417,991		3,749,214
Total	3,460,681	422,803	-	3,883,484

Net value	31/12/2018	Increase	Decrease	31/12/2019
Furniture	9,541	—	—	6,738
Electrical equipment	16,885	—	—	14,875
Electronic devices	1,110,845	—	—	1,010,603
Total	1,137,271	—	—	1,032,216

5) Taxes payable

Item	31/12/2019	31/12/2018
Individual tax	123,927	117,073
Corporate income tax	205,835	170,053
Stamp tax	2,613	
Total	332,375	287,126

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

Notes to the Financial Statements

6) Other payable

Aging	31/12/2019	31/12/2018
Within one year	463,005	864,311
Total	463,005	864,311

4. Notes to the Financial Statements (Continued)

7) Paid-in capital

Item	31/12/2018	Increase	Decrease	31/12/2019
TELERx Marketing, Inc.	1,960,369			1,960,369
Total	1,960,369			1,960,369

8) Capital reserve

Item	31/12/2018	Increase	Decrease	31/12/2019
Capital reserve	278			278
Total	278			278

9) Surplus reserve

Item	31/12/2018	Increase	Decrease	31/12/2019
Legal surplus reserve	1,018,214			1,018,214
Total	1,018,214			1,018,214

10) Undistributed profit

31/12/2018	Increase	Decrease	31/12/2019
22,778,566	3,466,750		26,245,317

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

Notes to the Financial Statements

11) Operating revenue and operating expenses

Account	FY 2019	FY 2018
Operating revenue	32,436,706	32,594,643
Operating cost	17,116,093	17,889,669

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.	Former affiliate company

2) Related-party transactions

Item	FY2018	FY2019
TELERx Marketing, Inc.	32,435,143	31,998,193
MSD (China) Investing Co.	159,500	

(1) Due from related-parties

Item	31/12/2018	31/12/2019
TELERx Marketing, Inc.	24,036,716	24,539,107
MSD (China) Investing Co.	139,920	

6. Contingencies

None as of 15 May 2020.

7. Commitments

None as of 15 May 2020.

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

Notes to the Financial Statements

8. Subsequent events None as of 15 May 2020.
9. Approval of the financial statements The financial report and notes are approved by the Company on 15 May 2020.

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



Chairman/General Manager:



Finance Controller:

[Handwritten signature]

Date:

Date:

2020/5/15

(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.)