

Wipro (Dalian) Limited

Auditors' Report and Financial Statements

For the Year Ended December 31, 2018

Wipro (Dalian) Limited
Auditors' Report and Financial Statements
(For the Year Ended December 31, 2018)

| | Table of Contents | Page |
|---|-----------------------------------|------|
| 1 | Auditors' report | 1-3 |
| 2 | Financial statements | |
| 3 | Statement of financial position | 1-2 |
| 4 | Statement of comprehensive income | 3 |
| 5 | Statement of cash flows | 4 |
| 6 | Statement of changes in equity | 5-6 |
| 7 | Notes to the financial statements | 1-27 |

Auditor's Report

PCPAR (2019) No.ZAXXXX

To shareholders of Wipro (Dalian) Limited,

Opinion

We have audited the accompanying financial statements of Wipro (Dalian) Limited (hereafter referred to as "the Company"), which comprise the statement of financial position as at December 31, 2018, the statement of comprehensive income, statement of cash flows and statement of changes in equity for the reporting 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 December 31, 2018, and its financial performance and its cash flows for the year ended in accordance with Accounting Standards for Business Enterprises.

Basis for opinion

We conducted our audit in accordance with Chinese Certified Public Accountants Auditing Standards. 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 the Code of Professional Conduct and Ethics for Chinese Certified Public Accountants, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Standards for Business Enterprises, and for devising and maintaining a system of internal accounting controls necessary to permit the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 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 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 Accounting Standards for Business Enterprises will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Accounting Standards for Business Enterprises, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- a) 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.
- b) 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 Company's internal control.
- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- d) Conclude on the appropriateness of 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.
- e) 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.



立信会计师事务所(特殊普通合伙)
BDO CHINA SHU LUN PAN CERTIFIED PUBLIC ACCOUNTANTS LLP

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.

Shu Lun Pan Certified Public Accountants LLP

Certified Public Accountant of China

Gao Fei

Li Ke

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Shanghai, China

Date: 28 May, 2019

Wipro (Dalian) Limited
Statement of Financial Position
As at December 31, 2018

(All the amounts are denominated in CNY unless otherwise stated.)

| Assets | Notes | As at December 31, 2018 | As at December 31, 2017 |
|---|-------|----------------------------|----------------------------|
| Current assets: | | | |
| Cash and cash equivalents | 5.1 | 23,018,780.01 | 18,622,867.29 |
| Financial assets measured at fair value through profit and loss | | | |
| Derivative financial assets | | | |
| Notes receivable and accounts receivable | 5.2 | 26,493,793.44 | 23,311,452.38 |
| Advances to suppliers | 5.3 | 193,313.37 | 2,782,071.15 |
| Other receivables | 5.4 | 1,675,808.57 | 2,111,448.64 |
| Inventories | | | |
| Assets held for sale | | | |
| Non-current assets maturing within one year | | | |
| Other current assets | 5.5 | 3,891,956.50 | 4,078,552.11 |
| Total current assets | | 55,273,651.89 | 50,906,391.57 |
| Non-current assets: | | | |
| Available-for-sale financial assets | | | |
| Held-to-maturity investments | | | |
| Long-term receivables | | | |
| Long-term equity investments | | | |
| Investment properties | | | |
| Fixed assets | 5.6 | 12,397,496.03 | 15,489,116.00 |
| Construction in progress | | | |
| Productive biological assets | | | |
| Oil and natural gas assets | | | |
| Intangible assets | | | |
| Development costs | | | |
| Goodwill | | | |
| Long-term deferred expenses | | | |
| Deferred tax assets | 5.7 | 520,753.95 | |
| Other non-current assets | | | |
| Total non-current assets | | 12,918,249.98 | 15,489,116.00 |
| Total assets | | 68,191,901.87 | 66,395,507.57 |

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

Legal Representative: Shubhankar Mukherjee

Chief Accountant: Venkatesh Bhat

Accountant in Charge: Venkatesh Bhat

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Wipro (Dalian) Limited
Statement of Financial Position (Continued)
As at December 31, 2018

(All the amounts are denominated in CNY unless otherwise stated.)

| Liabilities and owners' equity | Notes | As at December 31, 2018 | As at December 31, 2017 |
|--|-------|----------------------------|----------------------------|
| Current liabilities: | | | |
| Short-term borrowings | | | |
| Financial liabilities measured at fair value through profit and loss | | | |
| Derivative financial liabilities | | | |
| Notes payable and accounts payable | 5.8 | 764,799.33 | 503,348.27 |
| Advances from customers | | | |
| Employee benefits payable | 5.9 | 4,610,823.39 | 2,027,425.14 |
| Taxes and surcharges payable | 5.10 | 1,923,921.09 | |
| Other payables | 5.11 | 7,917,186.42 | 19,842,633.21 |
| Liabilities held for sale | | | |
| Non-current liabilities maturing within one year | | | |
| Other current liabilities | | | |
| Total current liabilities | | 15,216,730.23 | 22,373,406.62 |
| Non-current liabilities: | | | |
| Long-term borrowings | | | |
| Bonds payable | | | |
| Including: Preference shares | | | |
| Perpetual debts | | | |
| Long-term payables | | | |
| Long-term employee benefits payable | | | |
| Provisions | | | |
| Deferred income | | | |
| Deferred tax liabilities | 5.7 | | |
| Other non-current liabilities | | | |
| Total non-current liabilities | | | |
| Total liabilities | | 15,216,730.23 | 22,373,406.62 |
| Owners' equity: | | | |
| Paid-in capital | 5.12 | 52,755,750.00 | 52,755,750.00 |
| Other equity instruments | | | |
| Including: Preference shares | | | |
| Perpetual debts | | | |
| Capital reserves | | | |
| Other comprehensive income | | | |
| Specific reserves | | | |
| Surplus reserves | 5.13 | 21,942.16 | |
| Retained profit | 5.14 | 197,479.48 | -8,733,649.05 |
| Total owners' equity | | 52,975,171.64 | 44,022,100.95 |
| Total liabilities and owners' equity | | 68,191,901.87 | 66,395,507.57 |

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

Legal Representative: Shubhankar Mukherjee

Chief Accountant: Venkatesh Bhat

Accountant in Charge: Venkatesh Bhat

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Wipro (Dalian) Limited
Statement of Comprehensive Income
For the Year Ended December 31, 2018

(All the amounts are denominated in CNY unless otherwise stated.)

| Items | Notes | 2018 | 2017 |
|--|-------|----------------|---------------|
| 1. Revenue from operations | 5.15 | 105,853,880.53 | 58,417,377.31 |
| Less: Cost of operations | 5.15 | 77,059,798.69 | 43,862,226.60 |
| Taxes and surcharges | 5.16 | 29,688.87 | 13,453.56 |
| Selling and distribution expenses | | | |
| General and administrative expenses | | 20,973,165.71 | 19,105,966.76 |
| Research and development expenses | | | |
| Financial expenses | 5.17 | -1,420,068.27 | 589,091.25 |
| Including: Interest expenses | | | |
| Interest income | 5.17 | 550,864.71 | 125,672.25 |
| Impairment of assets | 5.18 | -3,184.00 | 5,718.28 |
| Plus: Other income | 5.19 | 1,063,365.33 | 238,000.00 |
| Investment income ("-" for loss) | | | |
| Including: Investment income from associates and joint ventures | | | |
| Gain on changes in fair value ("-" for loss) | | | |
| Gain on disposal of assets ("-" for loss) | | | |
| 2. Profit from operations ("-" for loss) | | 10,277,844.86 | -4,921,079.14 |
| Plus: Non-operating income | | | |
| Less: Non-operating expenses | | | |
| 3. Profit before tax ("-" for loss) | | 10,277,844.86 | -4,921,079.14 |
| Less: Income tax expenses | 5.20 | 1,324,774.17 | |
| 4. Net profit ("-" for loss) | | 8,953,070.69 | -4,921,079.14 |
| (1) Gain from continued operations ("-" for loss) | | 8,953,070.69 | -4,921,079.14 |
| (2) Gain from discontinued operations ("-" for loss) | | | |
| 5. Other comprehensive income net of tax | | | |
| (1) Other comprehensive income not to be reclassified as profit or loss | | | |
| (i) Movements arising from remeasurements of net liabilities or assets of the defined benefit plan | | | |
| (ii) Shares of other comprehensive income not to be reclassified as profit or loss in the investee under the equity method | | | |
| (2) Other comprehensive income to be reclassified as profit or loss | | | |
| (i) Shares of other comprehensive income to be reclassified as profit or loss in the investee under the equity method | | | |
| (ii) Gain on changes in fair value of available-for-sale financial assets ("-" for loss) | | | |
| (iii) Held-to-maturity investments reclassified as gain on available-for-sale financial assets ("-" for loss) | | | |
| (iv) Effective gain on hedged cash flows ("-" for loss) | | | |
| (v) Differences arising from the translation of foreign currency financial statements | | | |
| (vi) Others | | | |
| 6. Total comprehensive income | | 8,953,070.69 | -4,921,079.14 |
| 7. Earnings per share: | | | |
| (1) Basic earnings per share (CNY/share) | | | |
| (2) Diluted earnings per share (CNY/share) | | | |

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

Legal Representative: Shubhankar Mukherjee

Chief Accountant: Venkatesh Bhat

Accountant in Charge: Venkatesh Bhat

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Wipro (Dalian) Limited
Statement of Cash Flows
For the Year Ended December 31, 2018
(All the amounts are denominated in CNY unless otherwise stated.)

| Items | Notes | 2018 | 2017 |
|---|-------|----------------|----------------|
| 1. Cash flows from operating activities | | | |
| Cash receipts from the sale of goods and the rendering of services | | 103,848,144.14 | 44,416,761.92 |
| Cash receipts of tax refunds | | | |
| Other cash receipts relating to operating activities | | 1,614,230.04 | 363,672.25 |
| Sub-total of cash inflows from operating activities | | 105,462,374.18 | 44,780,434.17 |
| Cash payments for goods purchased and services received | | 7,389,773.15 | 5,123,780.31 |
| Cash payments to and on behalf of employees | | 71,653,568.48 | 43,895,029.69 |
| Cash payments of all types of taxes and surcharges | | 29,688.87 | 49,082.53 |
| Other cash payments relating to operating activities | | 19,945,163.40 | 18,280,911.43 |
| Sub-total of cash outflows from operating activities | | 99,018,193.90 | 67,348,803.96 |
| Net cash flows from operating activities | 5.21 | 6,444,180.28 | -22,568,369.79 |
| 2. Cash flows from investing activities | | | |
| Cash receipts from disposal and redemption of investments | | | |
| Cash receipts from returns on investments | | | |
| Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets | | | |
| Net cash receipts from disposal of subsidiaries and other business units | | | |
| Other cash receipts relating to investing activities | | | |
| Sub-total of cash inflows from investing activities | | | |
| Cash payments to purchase or construct fixed assets, intangible assets and other long-term assets | | 2,940,977.92 | 6,107,340.59 |
| Cash payments to acquire investments | | | |
| Net cash payments for acquisitions of subsidiaries and other business units | | | |
| Other cash payments relating to investing activities | | | |
| Sub-total of cash outflows from investing activities | | 2,940,977.92 | 6,107,340.59 |
| Net cash flows from investing activities | | -2,940,977.92 | -6,107,340.59 |
| 3. Cash flows from financing activities | | | |
| Cash receipts from investments | | | 26,352,000.00 |
| Cash receipts from borrowings | | | |
| Cash receipts from issuance of bonds | | | |
| Other cash receipts relating to financing activities | | | |
| Sub-total of cash inflows from financing activities | | | 26,352,000.00 |
| Cash repayments of borrowings | | | |
| Cash payments for distribution of dividends, profits, or interest expenses | | | |
| Other cash payments relating to financing activities | | | |
| Sub-total of cash outflows from financing activities | | | |
| Net cash flows from financing activities | | | 26,352,000.00 |
| 4. Effect of foreign exchange rate changes on cash and cash equivalents | | 892,710.36 | -702,670.99 |
| 5. Net increase in cash and cash equivalents | | 4,395,912.72 | -3,026,381.37 |
| Plus: Opening balance of cash and cash equivalents | 5.21 | 18,622,867.29 | 21,649,248.66 |
| 6. Closing balance of cash and cash equivalents | | 23,018,780.01 | 18,622,867.29 |

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

Legal Representative: Shubhankar Mukherjee

Chief Accountant: Venkatesh Bhat

Accountant in Charge: Venkatesh Bhat

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Wipro (Dalian) Limited
Statement of Changes in Equity
For the Year Ended December 31, 2018

(All the amounts are denominated in CNY unless otherwise stated.)

| Items | 2018 | | | | | | Total owners' equity | | | |
|---|-----------------|-------------------|-----------------|--------|------------------|----------------------------|----------------------|-------------------|------------------|-----------------|
| | Paid-in capital | Preference shares | Perpetual debts | Others | Capital reserves | Other comprehensive income | | Specific reserves | Surplus reserves | Retained profit |
| 1. Balance as at December 31, 2017 | 52,755,750.00 | | | | | | | | -8,733,649.05 | 44,022,100.95 |
| Plus: Adjustments for changes in accounting policies | | | | | | | | | | |
| Adjustments for correction of accounting errors in prior periods | | | | | | | | | | |
| Others | | | | | | | | | | |
| 2. Balance as at January 1, 2018 | 52,755,750.00 | | | | | | | | -8,733,649.05 | 44,022,100.95 |
| 3. Increase in 2018 ("+" for decrease) | | | | | | | | 21,942.16 | 8,931,128.53 | 8,953,070.69 |
| (1) Total comprehensive income | | | | | | | | | 8,953,070.69 | 8,953,070.69 |
| (2) Capital contributions or withdrawals by owners | | | | | | | | | | |
| (i) Capital contributions by owners | | | | | | | | | | |
| (ii) Capital contributions by other equity instrument holders | | | | | | | | | | |
| (iii) Share-based payments charged into owners' equity | | | | | | | | | | |
| (iv) Others | | | | | | | | | | |
| (3) Profit distribution | | | | | | | | 21,942.16 | -21,942.16 | |
| (i) Appropriation for surplus reserves | | | | | | | | 21,942.16 | -21,942.16 | |
| (ii) Profit distribution to owners | | | | | | | | | | |
| (iii) Others | | | | | | | | | | |
| (4) Internal transfer of owners' equity | | | | | | | | | | |
| (i) Transfer of capital reserves into paid-in capital | | | | | | | | | | |
| (ii) Transfer of surplus reserves into paid-in capital | | | | | | | | | | |
| (iii) Surplus reserve covering losses | | | | | | | | | | |
| (iv) Transfer of movements of the defined benefit plan into retained profit | | | | | | | | | | |
| (v) Others | | | | | | | | | | |
| (5) Special reserves | | | | | | | | | | |
| (i) Appropriation during the current period | | | | | | | | | | |
| (ii) Consumption during the current period | | | | | | | | | | |
| (6) Others | | | | | | | | | | |
| 4. Balance as at December 31, 2018 | 52,755,750.00 | | | | | | | 21,942.16 | 197,479.48 | 52,975,171.64 |

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

Legal Representative: Shubhankar Mukherjee

Chief Accountant: Venkatesh Bhat

Accountant in Charge: Venkatesh Bhat

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Wipro (Dalian) Limited
Statement of Changes in Equity (Continued)
For the Year Ended December 31, 2018
(All the amounts are denominated in CNY unless otherwise stated.)

| Items | 2017 | | | | | | Total owners' equity | | | |
|---|-----------------|--------------------------|------------------|------------------|----------------------------|-------------------|----------------------|------------------|-----------------|---------------|
| | Paid-in capital | Other equity instruments | | Capital reserves | Other comprehensive income | Specific reserves | | Surplus reserves | Retained profit | |
| | | Preference shares | Perpetual debits | Others | | | | | | |
| 1. Balance as at December 31, 2016 | 26,403,750.00 | | | | | | | -3,812,569.91 | | 22,591,180.09 |
| Plus: Adjustments for changes in accounting policies | | | | | | | | | | |
| Adjustments for correction of accounting errors in prior periods | | | | | | | | | | |
| Others | | | | | | | | | | |
| 2. Balance as at January 1, 2017 | 26,403,750.00 | | | | | | | -3,812,569.91 | | 22,591,180.09 |
| 3. Increase in 2017 ("—" for decrease) | 26,352,000.00 | | | | | | | -4,921,079.14 | | 21,430,920.86 |
| (1) Total comprehensive income | | | | | | | | -4,921,079.14 | | -4,921,079.14 |
| (2) Capital contributions or withdrawals by owners | 26,352,000.00 | | | | | | | | | 26,352,000.00 |
| (i) Capital contributions by owners | 26,352,000.00 | | | | | | | | | 26,352,000.00 |
| (ii) Capital contributions by other equity instrument holders | | | | | | | | | | |
| (iii) Share-based payments changed into owners' equity | | | | | | | | | | |
| (iv) Others | | | | | | | | | | |
| (3) Profit distribution | | | | | | | | | | |
| (i) Appropriation for surplus reserves | | | | | | | | | | |
| (ii) Profit distribution to owners | | | | | | | | | | |
| (iii) Others | | | | | | | | | | |
| (4) Internal transfer of owners' equity | | | | | | | | | | |
| (i) Transfer of capital reserves into paid-in capital | | | | | | | | | | |
| (ii) Transfer of surplus reserves into paid-in capital | | | | | | | | | | |
| (iii) Surplus reserve covering losses | | | | | | | | | | |
| (iv) Transfer of movements of the defined benefit plan into retained profit | | | | | | | | | | |
| (v) Others | | | | | | | | | | |
| (5) Special reserves | | | | | | | | | | |
| (i) Appropriation during the current period | | | | | | | | | | |
| (ii) Consumption during the current period | | | | | | | | | | |
| (6) Others | | | | | | | | | | |
| 4. Balance as at December 31, 2017 | 52,755,750.00 | | | | | | | -8,733,649.05 | | 44,022,100.95 |

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

Legal Representative: Shubhankar Mukherjee

Chief Accountant: Venkatesh Bhat

Accountant in Charge: Venkatesh Bhat

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Wipro (Dalian) Limited
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

(All the amounts are denominated in CNY unless otherwise stated.)

1. Company profile

Wipro (Dalian) Limited ("the Company"), invested by Wipro Networks Pte. Limited, is a foreign sole proprietorship limited liability company approved to be established in Dalian province on December 2015.

Its uniform social credit code No. is 91210200MA0QCU0E25.

As of December 31, 2018, its registered capital is USD 8,000,000.00. The Company is located in the ecological science and technology innovation city of Ganjingzi District, Dalian, Liaoning Province, spring idyllic D7.

The Company's parent company is Wipro Networks Pte. Limited and its ultimate controller is Manoj Nagpaul.

The Company is mainly engaged in Computer software development, sales, technical consulting and service; system integration design, debugging and maintenance; sales and installation and maintenance of computer hardware and related equipment; air ticket booking and cancellation of business data processing services; through voice and Internet media in customer contact information input, processing, consultation and support services to; forms of service outsourcing in Dalian to carry out offshore call center operations; information technology, enterprise management, logistics management and financial management consulting and outsourcing services; import and export business (excluding import distribution).

2. Basis of preparation for financial statements

2.1 Basis of preparation for financial statements

The Company recognizes and measures its accounting items on a going concern basis in compliance with the Accounting Standards for Business Enterprises – Basic Standards and specific accounting standards, the Application Guidance on the Accounting Standards for Business Enterprises, the Explanation on the Accounting Standards for Business Enterprises, and other relevant regulations published by the Ministry of Finance (all of which known as "the Accounting Standards for Business Enterprises") on the basis of actual transactions and events, and prepares its financial statements on the above basis.

2.2 Going concern

The Company is able to continue to operate as a going concern for foreseeable future, and there are no significant events affecting its ability to continue as a going concern.

3. Principal accounting policies and accounting estimates

3.1 Statement on compliance with the Accounting Standards for Business Enterprises

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

3.2 Accounting year

The accounting year is from January 1 to December 31.

3.3 Operating cycle

The Company's accounting cycle is 12 months.

3.4 Functional currency

The Company adopts CNY as the functional currency.

3.5 Recognition criteria of cash and cash equivalents

For the purpose of preparing the statement of cash flows, the term "cash" refers to cash at hand and bank deposits readily available for payment purposes. The term "cash equivalents" refers to short-term (maturing within three months on acquisition) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

3.6 Accounting for foreign currency transactions

Transactions arising in foreign currencies are translated into RMB at exchange rates at the transaction dates. At the balance sheet date, foreign currency monetary assets and liabilities are translated into RMB at that date. Exchange differences arising from these translations are expensed.

Contributions to paid-in capital made in foreign currencies are translated into the RMB denominated paid-in capital account at the stipulated exchange rates at the date of contribution.

3.7 Financial instruments

Financial instruments include financial assets, financial liabilities and equity instruments.

3.7.1 Recognition and measurement of financial instruments

Receivables

The debtors arising from selling goods or rendering services by the Company and other debtors from other enterprises held by the Company (excluding liability instruments quoted in an active market), including accounts receivable, other receivables, etc., are initially recognized at the contract or agreement price. If the receivable is financing in nature, it shall be initially recognized at present value.

Differences between the amounts received and book value of the receivables are charged to profit or loss for the current period upon collection or disposal.

3.8 Allowance for bad debts of receivables

Separate impairment tests are performed on the individually material receivables. For individually immaterial receivables, they are tested for impairment separately or as part of a portfolio with similar credit risk features. Receivables with no indication of impairment as the result of the separate impairment test (including both individually material and immaterial receivables) are tested for impairment as part of a portfolio with similar credit risk features. Receivables written down as the result of the separate impairment test are not tested for impairment again as part of a portfolio with similar credit risk features.

Among which, allowance for bad debts made by aging analysis:

| Aging | Proportion of allowance for bad debts of accounts receivable (%) |
|-----------------|--|
| Within 180 days | 0.00 |
| 181 to 360 days | 35.00 |
| Over 360 days | 100.00 |

3.9 Fixed assets

3.9.1 Recognition of fixed assets

Fixed assets refer to tangible assets held for the purpose of providing services, renting or business management with useful lives exceeding one accounting year. Fixed assets are recognized when all the following criteria are satisfied:

- i) It is probable that the economic benefits relating to the fixed assets will flow into the Company; and
- ii) The costs of the fixed assets can be measured reliably.

3.9.2 Depreciation methods of fixed assets

Depreciation is provided on a category basis using the straight-line method. The depreciation rates are determined according to the categories, estimated useful lives and estimated net residual rates of fixed assets. If the useful lives of various categories of fixed assets are different, or economic benefits are generated from various fixed assets in different ways, then different depreciation rates or methods shall be selected by the Company for the fixed assets.

The estimated depreciation methods, depreciation periods, residual rates and annual depreciation rates of fixed assets are listed by their respective categories as follows:

| Categories | Depreciation methods | Depreciation periods (years) | Residual rates (%) | Annual depreciation rates (%) |
|--------------------------|----------------------|------------------------------|--------------------|-------------------------------|
| Computer & Equipments | straight-line method | 2-4 | 0.00 | 24.75-49.50 |
| Office Equipment | straight-line method | 5-21 | 0.00 | 4.71-19.80 |
| Furniture and Renovation | straight-line method | 5 | 0.00 | 19.80 |

3.10 Employee benefits

3.10.1 Accounting for short-term benefits

The short-term benefits incurred during the period when the employees render services to the Company shall be recognized as liabilities and charged to profit or loss for the current period

or costs of relevant assets.

Social insurance fees and housing provident funds paid by the Company for the employees, as well as labor union fees and labor education fees accrued during the period when the employees render services to the Company shall be recognized as employee benefits payable according to the stipulated basis of calculation and proportion.

The employee welfare expenditure in the form of benefits in kind shall be measured at fair value.

According to regulations, insurances and accumulation fund paid to labour and social insurance institutions are based on accrued payroll and can't excess certain limited. The rates for insurances and accumulated fund are as follow:

| Type | Rate |
|---------------------------------|--------|
| Basic retirement insurance | 18.00% |
| Basic hospitalization insurance | 8.0% |
| Unemployment insurance | 0.50% |
| Maternity insurance | 1.20% |
| Accidental insurance | 0.40% |
| Basic housing accumulated fund | 12.00% |

3.10.2 Accounting for post-employment benefits

Defined contribution plans

The Company participates in the basic pension schemes and unemployment insurance programs as required by the local government. The Company calculates the amount payable according to the base and proportion of payment stipulated by the local government and recognizes the amount payable as liabilities, and charges it to profit or loss for the current period or includes it in costs of relevant assets.

3.10.3 Accounting for termination benefits

If the Company has no right to revoke plans or offer for termination of the employment relationship or the Company recognizes the cost or expenditure relevant to restructuring involving termination benefits, whichever is earlier, the termination benefits shall be

recognized as provisions and charged to profit or loss for the current period.

3.11 Revenue

General principles for recognition of revenue from provide services:

Starting and completing in the same accounting year, the income is confirmed when the service is completed. If the start and completion of the labor service belong to different accounting years, if the result of the labor transaction can be reliably estimated, the relevant labor income will be recognized on the balance sheet date according to the percentage of completion. As a service transaction results can not reliably estimated, the labor cost can be compensated by the compensation amount, to confirm the income, have been labor costs as incurred; if have labor costs can not be compensated by the labor cost has occurred as expense, no revenue.

3.12 Government grants

3.12.1 Classification

Government grants refer to the monetary or non-monetary assets obtained by the Company from the government for free. Government grants are classified into government grants relating to assets and government grants relating to income.

Government grants relating to assets are those acquired by the Company for the purpose of purchasing, constructing or forming long-term assets in other ways, including fiscal grants for purchase of fixed assets or intangible assets, and subsidized interest for specific loans relating to fixed assets. Government grants relating to income are grants other than those relating to assets.

3.12.2 Accounting treatments

For government grants relating to assets, the carrying amounts of relevant assets shall be reversed, or they are recognized as deferred income and amortized over the useful lives of assets and charged to profit or loss for the current period by stage (those relevant to the normal operations are recognized as other income and those not are recognized as non-operating income).

Government grants relating to income to compensate future expenses or losses shall be recognized as deferred income and shall be charged to profit or loss for the current period (those relevant to the normal operations are recognized as other income and those not are recognized as non-operating income) during the period when the relevant expenses or losses

are recognized, or the relevant expenses or losses shall be reversed. The government grants relating to income to compensate incurred expenses or losses shall be directly recognized as profit or loss for the current period (those relevant to the normal operations are recognized as other income and those not are recognized as non-operating income), or the relevant expenses or losses shall be reversed.

3.13 Deferred tax assets and deferred tax liabilities

Deferred tax is recorded on temporary differences between the tax bases of assets and liabilities and their carrying amounts, at the rates that have been enacted or substantively enacted at the reporting date. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences and tax loss carry-forwards become deductible. The Company considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment. The amount of the deferred tax assets considered realisable, however, could be reduced in the near term if estimates of future taxable income during the carry-forward period are reduced.

3.14 Leases

3.14.1 Accounting treatments for operating leases

- i) The lease payments for assets acquired under operating leases should be recognized as expenses of the current period over the lease terms (including rent-free periods) on a straight-line basis. Initial direct costs relating to lease transactions incurred by the Company shall be recognized as expenses of the current period.

If expenses relating to lease which should be borne by the Company are paid by the lessor of the assets, they shall be deducted from the total lease expenses and the balances shall be amortized over the lease terms and charged to expenses of the current period.

- ii) Lease income from assets surrendered under operating leases should be recognized over the lease terms (including rent-free periods) on a straight-line basis. Initial direct costs relating to lease transactions incurred by the Company shall be recognized as expenses of the current period; if the amounts are material, they shall be capitalized and amortized over the lease terms on the same basis as the recognition of lease income.

If expenses relating to leases which should be borne by the lessee of the assets are paid by the Company, they shall be deducted from the total lease income and the balances shall be amortized over the lease terms by the Company.

3.14.2 Accounting treatments for finance leases

- i) Assets acquired under finance leases: At commencement of the lease terms, assets acquired under finance leases should be recorded at the lower of their fair value and the present value of the minimum lease payments. The Company shall recognize long-term payables at amounts equal to the minimum lease payments, and shall record the differences between carrying amounts of the leased assets and the long-term payables as unrecognized finance charges. The Company adopts the effective interest rate method. The unrecognized finance charges shall be amortized over the lease terms as finance expenses. Initial direct costs incurred by the Company shall be included in the costs of leased assets.
- ii) Assets surrendered under finance leases: At commencement of the lease terms, the Company shall recognize the differences between the undiscounted rents receivable plus unguaranteed residual value and their present value as unrealized finance income, and shall amortize it over the lease terms as lease income. Initial direct costs relating to lease transactions incurred by the Company shall be included in the initial measurement of the rents receivable and the lease income recognized over the lease terms shall be reduced accordingly.

3.15 Changes in major accounting policies and accounting estimates

3.15.1 Changes in major accounting policies

The Ministry of Finance promulgated the Notice on the Revision of the Format of the Financial Statements of General Enterprises for Issuance in 2018 (Cai Kuai (2018) No.15), which revised the format of the financial statements of general enterprises. Major impacts of the above stipulation on the Company are summarized below:

| Changes in accounting policies and their reasons | Affected accounting items and amounts |
|---|---|
| (1) In the statement of financial position, the accounting items "notes receivable" and "accounts receivable" are combined to be presented as "notes and accounts receivable"; "notes payable" and "accounts payable" are combined to be presented as "notes and accounts payable". | "Notes receivable" and "accounts receivable" are combined to be presented as "notes and accounts receivable", whose closing and opening balances are CNY 26,493,793.44 and CNY 23,311,452.38 respectively; "Notes payable" and "accounts payable" are combined to be presented as "notes and accounts payable", whose closing and opening balances are CNY 764,799.33 and CNY 503,348.27 respectively. |

| Changes in accounting policies and their reasons | Affected accounting items and amounts |
|---|---|
| (2) In the statement of comprehensive income, a new accounting items of “of which: interest expense” and “interest income” are added as part of financial expenses. Comparative data is adjusted accordingly. | The closing and opening balances of “interest income” are CNY 550,864.71 and CNY 125,672.25 respectively. |

3.15.2 Changes in major accounting estimates

None.

4. Taxation

4.1 Major tax types and tax rates

| Tax types | Basis of tax assessment | Tax rates |
|--|---|-----------|
| Value added tax (VAT) | Output VAT is calculated and paid on taxable revenue from sale of goods and provision of services, and VAT is paid at the net amounts after deducting input VAT for the current period. | 6% |
| Urban maintenance and construction tax | Urban maintenance and construction tax is calculated and paid on VAT and excise tax actually paid. | 7% |
| Education surcharges | Urban maintenance and construction tax is calculated and paid on actually paid business tax, VAT and excise tax. | 5% |
| Corporate income tax | Corporate income tax is calculated and paid on taxable profits. | 12.5% |

4.2 Tax incentives and exemptions

On 16 May 2015, the company signed an agreement with Dalian BEST City Administrative Committee, that the preferential policies of “2 years’ full exemption and 3 years’ half deduction” could be applied to the company in the profit-making year. The company will be levied at a reduced rate of 12.5% in the year of 2018.

5. Notes to the main items of financial statements

5.1 Cash and cash equivalents

| Items | As at December 31, 2018 | As at December 31, 2017 |
|---------------------------------|-------------------------|-------------------------|
| Cash on hand | | |
| Cash at bank | 23,018,780.01 | 18,622,867.29 |
| Other cash and cash equivalents | | |
| Total | 23,018,780.01 | 18,622,867.29 |

Amounts denominated in foreign currencies are listed as follows:

| Items | As at December 31, 2018 | | | As at December 31, 2017 | | |
|--------------------------------|-------------------------|----------------|---------------------|-------------------------|----------------|---------------------|
| | In foreign currency | Exchange rates | Equivalent to CNY | In foreign currency | Exchange rates | Equivalent to CNY |
| USD | 659,768.62 | 6.87 | 4,530,037.54 | 1,058,421.08 | 6.51 | 6,891,675.66 |
| Total equivalent to CNY | | | 4,530,037.54 | | | 6,891,675.66 |

5.2 Notes receivable and accounts receivable

| Items | As at December 31, 2018 | As at December 31, 2017 |
|---------------------|-------------------------|-------------------------|
| Notes receivable | | |
| Accounts receivable | 26,493,793.44 | 23,311,452.38 |
| Total | 26,493,793.44 | 23,311,452.38 |

5.2.1 Accounts receivable

5.2.1.1 Aging analysis of accounts receivable

| Aging | As at December 31, 2018 | | | | | | As at December 31, 2017 | | | | |
|-----------------|-------------------------|----------------|-------------------------|----------------|----------------|----------------|-------------------------|----------------|-------------------------|----------------|----------------|
| | Carrying amounts | | Allowance for bad debts | | Net book value | Proportion (%) | Carrying amounts | | Allowance for bad debts | | Net book value |
| | Amounts | Proportion (%) | Amounts | Proportion (%) | | | Amounts | Proportion (%) | Amounts | Proportion (%) | |
| Within 180 days | 26,493,793.44 | 100.00 | | | 26,493,793.44 | | 23,311,452.38 | 100.00 | | | 23,311,452.38 |
| 181 to 360 days | | | | | | | | | | | |
| Over 361 days | | | | | | | | | | | |
| Total | 26,493,793.44 | 100.00 | | | 26,493,793.44 | | 23,311,452.38 | 100.00 | | | 23,311,452.38 |

5.3 Advances to suppliers

5.3.1 Aging analysis of advances to suppliers

| Aging | As at December 31, 2018 | | As at December 31, 2017 | |
|---------------|-------------------------|----------------|-------------------------|----------------|
| | Amounts | Proportion (%) | Amounts | Proportion (%) |
| Within 1 year | 193,313.37 | 100.00 | 2,782,071.15 | 100.00 |
| Total | 193,313.37 | 100.00 | 2,782,071.15 | 100.00 |

5.4 Other receivables

| Items | As at December 31, 2018 | As at December 31, 2017 |
|----------------------|-------------------------|-------------------------|
| Interest receivable | | |
| Dividends receivable | | |
| Other receivables | 1,675,808.57 | 2,111,448.64 |
| Total | 1,675,808.57 | 2,111,448.64 |

5.4.1 Other receivables

5.4.1.1 Aging analysis of other receivables

| Aging | As at December 31, 2018 | | | | | | As at December 31, 2017 | | | | | |
|---------------|-------------------------|----------------|-------------------------|----------------|----------------|----------------|-------------------------|----------------|-------------------------|----------------|----------------|----------------|
| | Carrying amounts | | Allowance for bad debts | | Net book value | Proportion (%) | Carrying amounts | | Allowance for bad debts | | Net book value | Proportion (%) |
| | Amounts | Proportion (%) | Amounts | Proportion (%) | | | Amounts | Proportion (%) | Amounts | Proportion (%) | | |
| Within 1 year | 586,835.87 | 34.96 | | | 586,835.87 | | 1,332,702.28 | 62.95 | | | 1,332,702.28 | |
| 1 to 2 years | 336,276.18 | 20.04 | 2,534.28 | 0.75 | 333,741.90 | 0.75 | 784,464.64 | 37.05 | 5,718.28 | 0.73 | 778,746.36 | |
| 2 to 3 years | 755,230.80 | 45.00 | | | 755,230.80 | | | | | | | |
| Total | 1,678,342.85 | 100.00 | 2,534.28 | | 1,675,808.57 | | 2,117,166.92 | 100.00 | 5,718.28 | | 2,111,448.64 | |

5.4.1.2 Movements in allowance for bad debts of other receivable

| Items | As at December 31, 2018 | As at December 31, 2017 |
|------------------|-------------------------|-------------------------|
| Opening balances | 5,718.28 | |
| Writedowns | 27,384.42 | 5,718.28 |
| Reverses | 30,568.42 | |
| Writeoffs | | |
| Closing balances | 2,534.28 | 5,718.28 |

5.4.1.3 Breakdown of other receivables

| Items | As at December 31, 2018 | As at December 31, 2017 |
|--------------------------|-------------------------|-------------------------|
| Deposits | 1,037,664.07 | 1,048,491.12 |
| Due from employees | 179,303.97 | 256,757.77 |
| Due from related parties | 458,869.29 | 810,464.23 |
| Others | 2,505.52 | 1,453.80 |
| Total | 1,678,342.85 | 2,117,166.92 |

5.5 Other current assets

| Items | As at December 31, 2018 | As at December 31, 2017 |
|----------------------|----------------------------|----------------------------|
| Deductible input VAT | 3,891,956.50 | 4,078,552.11 |
| Total | 3,891,956.50 | 4,078,552.11 |

5.6 Fixed assets

5.6.1 Fixed assets and disposal of fixed assets

| Items | As at December 31, 2018 | As at December 31, 2017 |
|--------------------------|-------------------------|-------------------------|
| Fixed assets | 12,397,496.03 | 15,489,116.00 |
| Disposal of fixed assets | | |
| Total | 12,397,496.03 | 15,489,116.00 |

5.6.2 Breakdown of fixed assets

| Items | Office equipment | Furniture and fixtures | Computer and equipment | Total |
|---|------------------|------------------------|------------------------|---------------|
| 1. Carrying amounts | | | | |
| (1) As at December 31, 2017 | 7,259,280.98 | 9,837,662.07 | 10,936,927.45 | 28,033,870.50 |
| (2) Increases | 1,750,673.26 | 497,814.16 | 692,490.50 | 2,940,977.92 |
| —Purchases | 1,750,673.26 | 497,814.16 | 692,490.50 | 2,940,977.92 |
| (3) Decreases | | | | |
| (4) As at December 31, 2018 | 9,009,954.24 | 10,335,476.23 | 11,629,417.95 | 30,974,848.42 |
| 2. Accumulated depreciation and amortization | | | | |
| (1) As at December 31, 2017 | 1,755,850.98 | 2,614,741.07 | 8,174,162.45 | 12,544,754.50 |
| (2) Increases | 1,554,856.26 | 1,928,479.16 | 2,549,262.47 | 6,032,597.89 |
| —Accruals | 1,554,856.26 | 1,928,479.16 | 2,549,262.47 | 6,032,597.89 |
| (3) Decreases | | | | |
| (4) As at December 31, 2018 | 3,310,707.24 | 4,543,220.23 | 10,723,424.92 | 18,577,352.39 |
| 3. Net book value | | | | |
| (1) As at December 31, 2018 | 5,699,247.00 | 5,792,256.00 | 905,993.03 | 12,397,496.03 |
| (2) As at December 31, 2017 | 5,503,430.00 | 7,222,921.00 | 2,762,765.00 | 15,489,116.00 |

5.7 Deferred tax assets and deferred tax liabilities

5.7.1 Deferred tax assets before elimination

| Items | As at December 31, 2018 | | As at December 31, 2017 | |
|------------------|----------------------------------|---------------------|----------------------------------|---------------------|
| | Deductible temporary differences | Deferred tax assets | Deductible temporary differences | Deferred tax assets |
| Accrued expenses | 5,413,310.66 | 676,663.83 | | |
| Total | 5,413,310.66 | 676,663.83 | | |

5.7.2 Deferred tax liabilities before elimination

| Items | As at December 31, 2018 | | As at December 31, 2017 | |
|--|-------------------------------|--------------------------|-------------------------------|--------------------------|
| | Taxable temporary differences | Deferred tax liabilities | Taxable temporary differences | Deferred tax liabilities |
| Provision for bad debts | 3,184.00 | 398.00 | | |
| Depreciation expense adjustment due to Tax Law | 1,244,095.09 | 155,511.88 | | |
| Total | 1,247,279.09 | 155,909.88 | | |

5.7.3 Net balances of deferred tax assets/deferred tax liabilities after elimination

| Items | As at December 31, 2018 | | As at December 31, 2017 | |
|--------------------------|---|--|---|--|
| | Amounts of elimination between deferred tax assets and deferred tax liabilities | Net balances of deferred tax assets/deferred tax liabilities | Amounts of elimination between deferred tax assets and deferred tax liabilities | Net balances of deferred tax assets/deferred tax liabilities |
| Deferred tax assets | 155,909.88 | 520,753.95 | | |
| Deferred tax liabilities | 155,909.88 | | | |

5.8 Notes payable and accounts payable

| Items | As at December 31, 2018 | As at December 31, 2017 |
|------------------|-------------------------|-------------------------|
| Notes payable | | |
| Accounts payable | 764,799.33 | 503,348.27 |
| Total | 764,799.33 | 503,348.27 |

5.8.1 Accounts payable

5.8.1.1 Breakdown of accounts payable

| Items | As at December 31, 2018 | As at December 31, 2017 |
|----------------------|-------------------------|-------------------------|
| Purchases of Service | 764,799.33 | 503,348.27 |
| Total | 764,799.33 | 503,348.27 |

5.9 Employee benefits payable

5.9.1 Breakdown of employee benefits payable

| Items | As at December 31, 2017 | Accruals | Payments | As at December 31, 2018 |
|---------------------|-------------------------------|---------------|---------------|-------------------------------|
| Short-term benefits | 2,027,425.14 | 74,236,966.73 | 71,653,568.48 | 4,610,823.39 |
| Total | 2,027,425.14 | 74,236,966.73 | 71,653,568.48 | 4,610,823.39 |

5.9.2 Breakdown of short-term benefits

| Items | As at December 31, 2017 | Accruals | Payments | As at December 31, 2018 |
|---|-------------------------------|---------------|---------------|-------------------------------|
| (1) Salary, bonus, allowance and subsidies | 2,027,425.14 | 73,271,062.24 | 70,687,663.99 | 4,610,823.39 |
| (2) Employee welfare | | 965,904.49 | 965,904.49 | |
| Total | 2,027,425.14 | 74,236,966.73 | 71,653,568.48 | 4,610,823.39 |

5.10 Taxes and surcharges payable

| Items | As at December 31, 2018 | As at December 31, 2017 |
|-----------------------|----------------------------|----------------------------|
| Corporate income tax | 1,845,528.12 | |
| Individual income tax | 78,392.97 | |
| Total | 1,923,921.09 | |

5.11 Other payables

| Items | As at December 31, 2018 | As at December 31, 2017 |
|-------------------|----------------------------|----------------------------|
| Interest payable | | |
| Dividends payable | | |
| Other payables | 7,917,186.42 | 19,842,633.21 |
| Total | 7,917,186.42 | 19,842,633.21 |

5.11.1 Other payables

5.11.1.1 Breakdown of other payables

| Items | As at December 31, 2018 | As at December 31, 2017 |
|------------------------|----------------------------|-------------------------|
| Due to related parties | 389,620.93 | 15,313,806.43 |
| Housing rent | 4,798,924.77 | 2,801,611.87 |
| Purchase of equipment | 498,057.52 | 451,143.00 |
| Others | 2,230,583.20 | 1,276,071.91 |
| Total | 7,917,186.42 | 19,842,633.21 |

5.12 Paid-in capital

| Items | As at December 31, 2017 | Increases | Decreases | As at December 31, 2018 |
|-----------------------------|----------------------------|-----------|-----------|-------------------------------|
| Wipro Networks Pte. Limited | 52,755,750.00 | | | 52,755,750.00 |
| Total | 52,755,750.00 | | | 52,755,750.00 |

The company currently has a registered capital of USD 8 million, paid up capital of USD 8 million.

5.13 Surplus reserves

| Items | As at December 31, 2017 | Increases | Decreases | As at December 31, 2018 |
|----------------------------|-------------------------------|-----------|-----------|-------------------------------|
| Statutory surplus reserves | | 21,942.16 | | 21,942.16 |
| Total | | 21,942.16 | | 21,942.16 |

5.14 Retained profit

| Items | As at December 31, 2018 | As at December 31, 2017 |
|---|----------------------------|----------------------------|
| Opening balances of retained profit | -8,733,649.05 | -3,812,569.91 |
| Plus: Net profit ("-" for loss) | 8,953,070.69 | -4,921,079.14 |
| Less: Appropriation of statutory surplus reserves | 21,942.16 | |
| Closing balances of retained profit | 197,479.48 | -8,733,649.05 |

5.15 Revenue from operations and cost of operations

| Items | 2018 | | 2017 | |
|------------------|----------------|---------------|---------------|---------------|
| | Revenue | Cost | Revenue | Cost |
| Major operations | 105,853,880.53 | 77,059,798.69 | 58,417,377.31 | 43,862,226.60 |
| Total | 105,853,880.53 | 77,059,798.69 | 58,417,377.31 | 43,862,226.60 |

5.16 Taxes and surcharges

| Items | 2018 | 2017 |
|----------------------|-----------|-----------|
| Taxes and surcharges | 29,688.87 | 13,453.56 |
| Total | 29,688.87 | 13,453.56 |

5.17 Financial expenses

| Items | 2018 | 2017 |
|------------------------------|---------------|------------|
| Interest expense | | |
| Less: Interest income | 550,864.71 | 125,672.25 |
| Exchange loss ("-" for gain) | -892,710.36 | 702,670.99 |
| Others | 23,506.80 | 12,092.51 |
| Total | -1,420,068.27 | 589,091.25 |

5.18 Impairment of assets

| Items | 2018 | 2017 |
|-----------|-----------|----------|
| Bad debts | -3,184.00 | 5,718.28 |
| Total | -3,184.00 | 5,718.28 |

5.19 Other income

| Items | 2018 | 2017 | Relating to assets/income |
|-----------------------------|--------------|------------|---------------------------|
| Training grants | 924,000.00 | 238,000.00 | Relating to income |
| Interest subsidy for export | 139,365.33 | | Relating to income |
| Total | 1,063,365.33 | 238,000.00 | |

5.20 Income tax expenses

5.20.1 Breakdown of income tax expenses

| Items | 2018 | 2017 |
|-----------------------------|--------------|------|
| Current income tax expense | 1,845,528.12 | |
| Deferred income tax expense | -520,753.95 | |
| Total | 1,324,774.17 | |

5.20.2 Reconciliation between income tax expenses and accounting profit

| Items | 2018 | 2017 |
|--|---------------|---------------|
| Profit before tax | 10,277,844.86 | -4,921,079.14 |
| Tax computed at statutory [12.5%] tax rate | 1,284,730.61 | -1,230,269.79 |
| Effect of adjustment of prior period's income tax | | |
| Effect of non-taxable income | | |
| Effect of non-deductible costs, expenses and losses | 142,630.32 | 110,490.51 |
| Effect of the utilization of recoverable losses for which no deferred tax assets have been recognized in prior periods | -102,586.76 | -4,652.44 |
| Effect of deductible temporary differences or recoverable losses not recognized as deferred tax assets in the current period | | 1,124,431.72 |
| Total income tax expense | 1,324,774.17 | |

5.21 Supplementary information of the statement of cash flows

5.21.1 Supplementary information of the statement of cash flows

| Items | 2018 | 2017 |
|---|--------------|---------------|
| 1. Adjustments to reconcile net profit to net cash flows in operating activities: | | |
| Net profit | 8,953,070.69 | -4,921,079.14 |
| Plus: Provision for impairment of assets | -3,184.00 | 5,718.28 |

| Items | 2018 | 2017 |
|---|---------------|----------------|
| Depreciation of fixed assets | 6,032,597.89 | 7,763,102.59 |
| Amortization of intangible assets | | |
| Amortization of long-term deferred expenses | | |
| Loss on disposal of fixed assets, intangible assets and other long-term assets ("-" for gain) | | |
| Loss on scrap of fixed assets ("-" for gain) | | |
| Loss on changes in fair value ("-" for gain) | | |
| Financial expense ("-" for gain) | -892,710.36 | 702,670.99 |
| Investment loss ("-" for gain) | | |
| Decrease in deferred tax assets ("-" for increase) | -520,753.95 | |
| Increase in deferred tax liabilities ("-" for decrease) | | |
| Decrease in inventories ("-" for increase) | | |
| Decrease in operating receivables ("-" for increase) | 31,836.40 | -16,408,138.37 |
| Increase in operating payables ("-" for decrease) | -7,156,676.39 | -9,710,644.14 |
| Others | | |
| Net cash flows from operating activities | 6,444,180.28 | -22,568,369.79 |
| 2. Significant investing and financing activities not involving cash receipts or payments | | |
| Debt transferred into capital | | |
| Convertible corporate bonds maturing within one year | | |
| Fixed assets acquired under finance leases | | |
| 3. Net increase in cash and cash equivalents | | |
| Cash at the end of the year | 23,018,780.01 | 18,622,867.29 |
| Less: Cash at the beginning of the year | 18,622,867.29 | 21,649,248.66 |
| Plus: Cash equivalents at the end of the year | | |
| Less: Cash equivalents at the beginning of the year | | |
| Net increase in cash and cash equivalents | 4,395,912.72 | -3,026,381.37 |

5.21.2 Breakdown of cash and cash equivalents

| Items | 2018 | 2017 |
|--|---------------|---------------|
| 1. Cash | 23,018,780.01 | 18,622,867.29 |
| Including: Cash on hand | | |
| Cash at bank readily available for payments | 23,018,780.01 | 18,622,867.29 |
| Other cash and cash equivalents readily available for payments | | |
| 2. Cash equivalents | | |
| Including: Debt investments maturing within three months | | |
| 3. Balance of cash and cash equivalents at the end of the year | 23,018,780.01 | 18,622,867.29 |

6. Related parties and related party transactions

6.1 The parent of the Company

| Parent company | Registered location | Shares held by the parent company (%) | Voting rights held by the parent company (%) |
|-----------------------------|---------------------|---------------------------------------|--|
| Wipro Networks Pte. Limited | Singapore | 100.00 | 100.00 |

The ultimate controller of the Company is Wipro Limited.

6.2 Other related parties of the Company

| Other related parties | Relationship with the Company |
|---------------------------|---|
| Wipro Limited | Ultimate holding company |
| Wipro (Shanghai) Limited | Controlled by the same ultimate holding company |
| Wipro Travel Services Ltd | Controlled by the same ultimate holding company |
| Wipro (Chengdu) Limited | Controlled by the same ultimate holding company |

6.3 Related party transactions

6.3.1 Sale of goods/provision of services and purchase of goods/receipt of services

Purchase of goods/receipt of services

| Related parties | Description of transactions | 2018 | 2017 |
|-----------------|-----------------------------|------|------------|
| Wipro Limited | Receipt of services | | 368,769.59 |

Sale of goods/provision of services

| Related parties | Description of transactions | 2018 | 2017 |
|--------------------------|-----------------------------|---------------|---------------|
| Wipro Limited | Provide services | 49,156,912.96 | 24,011,040.21 |
| Wipro (Shanghai) Limited | Provide services | | 4,996,746.92 |
| Wipro (Chengdu) Limited | Provide services | 4,160,981.76 | 3,215,987.57 |

6.4 Receivables and payables with related parties

6.4.1 Receivables

| Items | Related parties | As at December 31, 2018 | | As at December 31, 2017 | |
|---------------------|--------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | | Carrying amounts | Allowance for bad debts | Carrying amounts | Allowance for bad debts |
| Accounts receivable | Wipro (Chengdu) Limited | 263,825.38 | | 2,535,154.40 | |
| Accounts receivable | Wipro Limited | 8,501,021.28 | | 2,820,349.00 | |
| Other receivables | Wipro (Shanghai) Limited | | | 421,433.25 | |
| Other receivables | Wipro Limited | 458,869.29 | | 389,030.98 | |

6.4.2 Payables

| Items | Related parties | As at December 31, | As at December 31, |
|----------------|--------------------------|--------------------|--------------------|
| | | 2018 | 2017 |
| Other payables | Wipro Limited | 389,620.93 | 379,893.00 |
| Other payables | Wipro (Shanghai) Limited | | 14,933,913.43 |

7. Government grants

7.1 Government grants relating to income

| Items | Amounts | Amounts charged into profit or loss for the current period or reversing the relevant costs, expenses and losses | | Items charged into profit or loss for the current period or reversing the relevant costs, expenses and losses |
|-----------------------------|------------|---|------------|---|
| | | 2018 | 2017 | |
| | | Training grants | 924,000.00 | |
| Interest subsidy for export | 139,365.33 | 139,365.33 | | Other income |

8. Commitments and contingencies

8.1 Significant commitments

There is no significant commitments need to be disclosed.

8.2 Contingencies

There is no material contingencies need to be disclosed.

8.3 Lease arrangements

According to lease contracts signed with the lessor, the minimum lease payments of the irrevocable operating lease contracts are listed below:

| Items | As at December 31, | As at December 31, |
|--|--------------------|--------------------|
| | 2018 | 2017 |
| Due in one year after the end of the reporting period | 1,999,595.54 | 1,999,595.54 |
| Due in two years after the end of the reporting period | 2,005,073.88 | 2,000,052.07 |
| Due in three years after the end of the reporting period | 1,999,595.54 | 2,004,617.35 |
| Due in subsequent years | 7,834,031.83 | 9,836,823.07 |
| Total | 13,838,296.79 | 15,841,088.03 |

9. Subsequent events

There is no subsequent events need to be disclosed.

10. Other significant events

There is no other significant event needs to be disclosed.

*** End of the financial statements ***