

**HCL Technologies (Shanghai) Limited**

**Audited Financial Statements**

**31 December 2017**

**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

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## **Auditor's report**

Ernst & Young Hua Ming (2018) Shen Zi No. 61059626\_B01  
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 2017, 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 2017, 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 (2018) Shen Zi No. 61059626\_B01  
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 (2018) Shen Zi No. 61059626\_B01  
HCL Technologies (Shanghai) Limited

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

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:

29 May 2018

HCL Technologies (Shanghai) Limited  
BALANCE SHEET  
31 December 2017  
(Expressed in Renminbi Yuan)

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash	3	50,635,405.77	56,282,760.37
Short-term investment		18,000,000.00	8,000,000.00
Accounts receivable	4、5	47,396,987.00	80,944,847.38
Other receivables	6	2,266,531.74	1,284,358.11
Interest receivables		741,095.89	120,547.95
Prepaid expenses		1,591,676.76	1,675,566.35
Other current assets		<u>1,166,322.36</u>	<u>-</u>
<b>Total current assets</b>		<u>121,798,019.52</u>	<u>148,308,080.16</u>
<b>Non-current assets:</b>			
Fixed assets cost	7	9,364,824.11	7,543,556.83
Less: Accumulated depreciation	7	<u>4,602,733.47</u>	<u>3,762,851.49</u>
Fixed assets, net	7	4,762,090.64	3,780,705.34
Long-term prepaid expenses	8	<u>1,357,088.90</u>	<u>-</u>
<b>Total non-current assets</b>		<u>6,119,179.54</u>	<u>3,780,705.34</u>
<b>TOTAL ASSETS</b>		<u>127,917,199.06</u>	<u>152,088,785.50</u>

The notes on pages 10 to 26 form an integral part of these financial statements.

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
<b>LIABILITIES AND OWNERS' EQUITY</b>			
<b>Current liabilities:</b>			
Accounts payable		67,232,225.04	97,882,017.34
Advances from customers		7,899,770.81	1,747,139.58
Accrued payroll		1,514,622.14	1,397,442.22
Taxes payable	9	1,168,037.74	3,180,410.91
Other payables		1,785,911.47	1,723,371.56
Accrued expenses		<u>2,461,788.24</u>	<u>2,323,751.76</u>
<b>Total liabilities</b>		<u>82,062,355.44</u>	<u>108,254,133.37</u>
<b>Owners' equity:</b>			
Share capital	10	15,316,566.95	15,316,566.95
Surplus reserves	11	3,053,827.66	2,851,808.51
Retained earnings		<u>27,484,449.01</u>	<u>25,666,276.67</u>
<b>Total owners' equity</b>		<u>45,854,843.62</u>	<u>43,834,652.13</u>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<u>127,917,199.06</u>	<u>152,088,785.50</u>

The notes on pages 10 to 26 form an integral part of these financial statements.

The financial statements on pages 4 to 26 have been signed by:

Legal representative:

Financial manager:

**HCL Technologies (Shanghai) Limited**  
**INCOME STATEMENT**  
**For the Year Ended 31 December 2017**  
**(Expressed in Renminbi Yuan)**

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
Revenue from principal operations	12	94,351,734.72	114,242,588.89
Less: Taxes and surcharges		202,554.40	29,347.37
Cost of sales		78,866,570.72	95,321,549.89
Operating expenses		1,302,797.26	1,583,896.95
General and administrative expenses		10,829,992.69	9,374,431.41
Financial expenses	13	<u>(722,510.84)</u>	<u>(3,202,971.76)</u>
<b>Operating profit</b>		3,872,330.49	11,136,335.05
Add: Non-operating income		-	51,510.20
Less: Non-operating expenses		<u>-</u>	<u>180.74</u>
<b>Total profit</b>		3,872,330.49	11,187,664.51
Less: Income tax	14	<u>1,852,139.00</u>	<u>2,546,941.67</u>
<b>Net profit</b>		<u><u>2,020,191.49</u></u>	<u><u>8,640,722.84</u></u>

*The notes on pages 10 to 26 form an integral part of these financial statements.*



**HCL Technologies (Shanghai) Limited**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended 31 December 2017**  
**(Expressed in Renminbi Yuan)**

	<u>Supplementary Notes</u>	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from sale of goods		135,971,955.22	77,570,552.40
Cash received from tax refund		-	51,510.20
Cash received relating to other operating activities		<u>62,539.91</u>	<u>922,883.94</u>
<b>Sub-total of cash inflows</b>		<u>136,034,495.13</u>	<u>78,544,946.54</u>
Cash paid for goods		66,117,031.27	27,127,605.03
Cash paid to and on behalf of employees		52,957,173.37	51,768,924.86
Cash paid for all types of taxes		4,746,709.46	3,061,787.21
Cash paid relating to other operating activities		<u>3,823,247.15</u>	<u>9,836,545.14</u>
<b>Sub-total of cash outflows</b>		<u>127,644,161.25</u>	<u>91,794,862.24</u>
<b>Net cash flows from operating activities</b>	(1)	<u>8,390,333.88</u>	<u>(13,249,915.70)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Cash received from returns of investments		-	27,000,000.00
Cash received relating to other operating activities		<u>-</u>	<u>368,852.73</u>
<b>Sub-total of cash inflows</b>		<u>-</u>	<u>27,368,852.73</u>
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		2,254,402.24	3,313,258.65
Cash payments for investments		10,000,000.00	8,000,000.00
<b>Sub-total of cash outflows</b>		<u>12,254,402.24</u>	<u>11,313,258.65</u>
<b>Net cash flows from investing activities</b>		<u>(12,254,402.24)</u>	<u>16,055,594.08</u>
<b>EFFECT OF CHANGES IN EXCHANGE RATE ON CASH</b>		<u>(1,783,286.24)</u>	<u>3,738,262.09</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<u>(5,647,354.60)</u>	<u>6,543,940.47</u>

*The notes on pages 10 to 26 form an integral part of these financial statements.*

HCL Technologies (Shanghai) Limited  
**STATEMENT OF CASH FLOWS (continued)**  
For the Year Ended 31 December 2017  
(Expressed in Renminbi Yuan)

	<u>Supplementary Notes</u>	<u>2017</u>	<u>2016</u>
<b><u>Supplementary Notes</u></b>			
<b>1. Reconciliation of net profit to cash flows from operating activities</b>			
Net profit	2,020,191.49	8,640,722.84	
Add: Provision for impairment of assets	1,177,235.86	28,750.00	
Depreciation of fixed assets	1,273,016.94	818,717.62	
Increase / (Decrease) in prepaid expenses	83,889.59	127,407.73	
Increase / (Decrease) in accrued expenses	138,036.48	2,469,407.13	
Financial expenses	1,162,738.30	(4,227,662.77)	
Decrease / (increase) in operating receivables	28,865,039.63	(41,276,381.99)	
Increase in operating payables	(26,329,814.41)	23,795,861.72	
<b>Net cash flows from operating Activities</b>	<u>8,390,333.88</u>	<u>(13,249,915.70)</u>	
<b>2. Net increase in cash and cash equivalents</b>			
Cash at end of year	50,635,405.77	56,282,760.37	
Less: Cash at beginning of year	<u>56,282,760.37</u>	<u>49,738,819.90</u>	
<b>Net increase in cash and cash equivalents</b>	<u>(5,647,354.60)</u>	<u>6,543,940.47</u>	

*The notes on pages 10 to 26 form an integral part of these financial statements.*

**HCL Technologies (Shanghai) Limited**  
**STATEMENT OF CHANGES IN EQUITY**  
**For the Year Ended 31 December 2017**  
**(Expressed in Renminbi Yuan)**

	<u><b>2017</b></u>	<u><b>2016</b></u>
<b>PAID-IN CAPITAL:</b>		
At beginning and end of year	<u>15,316,566.95</u>	<u>15,316,566.95</u>
<b>SURPLUS RESERVE:</b>		
At beginning of year	2,851,808.51	1,987,736.23
Increase in current year	195,881.03	864,072.28
At end of year	<u>3,047,689.54</u>	<u>2,851,808.51</u>
<b>RETAINED EARNINGS:</b>		
At beginning of year	25,666,276.67	17,889,626.11
Appropriation to surplus reserve	(195,881.03)	(864,072.28)
Net profit for the year	<u>1,958,810.30</u>	<u>8,640,722.84</u>
At end of year	<u>27,429,205.94</u>	<u>25,666,276.67</u>

*The notes on pages 10 to 26 form an integral part of these financial statements.*

**HCL Technologies (Shanghai) Limited**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2017**  
**(Expressed in Renminbi Yuan)**

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**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 ANIL KUMAR CHANANA and the operation period is 20 years. Its legal registration address is 23500, 14 Building, 498 Guoshoujing Road, SPSP, 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 2017**  
**(Expressed in Renminbi Yuan)**

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**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	10%	18%
Electronic equipment	3-5years	0-10%	18%-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>
Decorating expenses	3 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 2017**  
**(Expressed in Renminbi Yuan)**

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

**Revenue recognition**

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**

	2017	2016
Cash in bank	<u>50,635,405.77</u>	<u>56,282,760.37</u>

**4. Accounts receivable**

	2017	2016
Accounts receivable	49,325,625.86	81,696,250.38
Less: Bad debt provision	<u>1,928,638.86</u>	<u>751,403.00</u>
	<u>47,396,987.00</u>	<u>80,944,847.38</u>

**HCL Technologies (Shanghai) Limited**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**For the Year Ended 31 December 2017**  
**(Expressed in Renminbi Yuan)**

**4. Accounts receivable (continued)**

The ageing analysis is as below:

	2017			2016		
	Balance	%	Bad debt Provision	Balance	%	Bad debt provision
Within 1 year	49,325,625.86	100	1,928,638.86	81,696,250.38	100	751,403.00
1-2 years	-	-	-	-	-	-
	<u>49,325,625.86</u>	<u>100</u>	<u>1,928,638.86</u>	<u>81,696,250.38</u>	<u>100</u>	<u>751,403.00</u>

**5. Bad debt provision**

	Opening balance	Additions	Reversals	Closing balance
Accounts receivable	<u>751,403.00</u>	<u>1,177,235.86</u>	<u>-</u>	<u>1,928,638.86</u>

**6. Other receivables**

	2017	2016
Other receivables	<u>2,266,531.74</u>	<u>1,284,358.11</u>

**7. Fixed assets**

	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>



**HCL Technologies (Shanghai) Limited**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**For the Year Ended 31 December 2017**  
**(Expressed in Renminbi Yuan)**

**7. Fixed assets (continued)**

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.

**8. Long-term prepayments**

	2017	2016
<u>Training expenses</u>		
Opening balance	-	-
Additions	1,357,088.90	-
Amortisation	<u>-</u>	<u>-</u>
Closing balance	<u>1,357,088.90</u>	<u>-</u>

**9. Taxes payable**

	2017	2016
Value added tax	243,037.63	373,553.37
Income tax	<u>986,381.30</u>	<u>2,806,857.54</u>
	<u>1,229,418.93</u>	<u>3,180,410.91</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.

**HCL Technologies (Shanghai) Limited**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**For the Year Ended 31 December 2017**  
**(Expressed in Renminbi Yuan)**

**9. Taxes payable (continued)**

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

(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 corporate taxes	- In accordance with the relevant tax laws in the PRC, the Company is required to withhold and pay corporate income tax and business tax in respect of the interest and technology transfer fees payable to foreign investors and overseas related companies.

**10. Paid-in capital**

Registered:

	2017		2016	
	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:

	2017		2016	
	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.

**11. Surplus reserve**

2017	Opening Balance	Additions	Decrease	Closing Balance
Surplus reserve	<u>2,851,808.51</u>	<u>195,881.03</u>	<u>-</u>	<u>3,047,689.54</u>

**HCL Technologies (Shanghai) Limited**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**For the Year Ended 31 December 2017**  
**(Expressed in Renminbi Yuan)**

**11. Surplus reserve (continued)**

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.

**12. Revenue from principal operations**

	2017	2016
Rendering of services	<u>94,351,734.72</u>	<u>114,242,588.89</u>

**13. Financial expenses**

	2017	2016
Interest expense / (gain)	(703,752.43)	(920,475.66)
Exchange loss / (gain)	(83,762.55)	(2,306,882.33)
Others	<u>65,004.14</u>	<u>24,386.23</u>
	<u>(722,510.84)</u>	<u>(3,202,971.76)</u>

**14. Income Tax**

	2017	2016
Income tax for the year	1,485,441.99	2,806,857.54
Income tax adjusted for the prior year	<u>428,078.20</u>	<u>(259,915.87)</u>
	<u>1,913,520.19</u>	<u>2,546,941.67</u>

**15. 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 SWEDEN AB	Company controlled by the ultimate controlling company
HCL Singapore Pte. Ltd.	Company controlled by the ultimate controlling company
HCL Poland sp. z o.o	Company controlled by the ultimate controlling company
HCL Japan Ltd.	Company controlled by the ultimate controlling company

**HCL Technologies (Shanghai) Limited**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
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**15. Related party relationships and transactions (continued)**

<u>Name</u>	<u>Relationship</u>
HCL Hong Kong SAR Ltd.	Company controlled by the ultimate controlling company
HCL GmbH, Germany	Company controlled by the ultimate controlling company
HCL Technologies France	Company controlled by the ultimate controlling company
HCL Belgium NV	Company controlled by the ultimate controlling company
HCL Australia Services Pty. Ltd.	Company controlled by the ultimate controlling company
HCL America Inc.	Company controlled by the ultimate controlling company
HCL Axon Solutions (Shanghai) Co., Ltd.	Company controlled by the ultimate controlling company
HCL Technologies Finland Oy	Company controlled by the ultimate controlling company
HCL Great Britain Ltd.	Company controlled by the ultimate controlling company
HCL (Brazil) Tecnologia da informacao Ltda.	Company controlled by the ultimate controlling company
HCL Technologies Middle East FZ-LLC	Company controlled by the ultimate controlling company
HCL Technologies Solutions GmbH	Company controlled by the ultimate controlling company
HCL South Africa Share Ow	Company controlled by the ultimate controlling company
HCL Technologies Norway AS	Company controlled by the ultimate controlling company
Filial Espanola De HCL Technologies S.L.	Company controlled by the ultimate controlling company
HCL TECHNOLOGIES LTD. Portugal	Company controlled by the ultimate controlling company
HCL ARGENTINA S.A.	Company controlled by the ultimate controlling company
HCL Axon Malaysia Sdn. Bhd.	Company controlled by the ultimate controlling company
PT. HCL Technologies Indonesia	Company controlled by the ultimate controlling company
HCL (Netherlands) BV	Company controlled by the ultimate controlling company
HCL Technologies Limited - Russia Branch	Company controlled by the ultimate controlling company
HCL Technologies Limited - Israel Branch	Company controlled by the ultimate controlling company
HCL Italy SRL	Company controlled by the ultimate controlling company
HCL Mexico S.De.R.L.De.C.V.	Company controlled by the ultimate controlling company
HCL Technologies Austria GmbH	Company controlled by the ultimate controlling company
Axon Solutions Pty. Ltd.	Company controlled by the ultimate controlling company
HCL Technologies UK Ltd.	Company controlled by the ultimate controlling company
HCL Technologies Chile SPA	Company controlled by the ultimate controlling company
HCL Technologies Denmark Aps	Company controlled by the ultimate controlling company
HCL Ireland Information Systems Ltd.	Company controlled by the ultimate controlling company
HCL Technologies Germany GmbH	Company controlled by the ultimate controlling company
HCL Axon Technologies Inc.	Company controlled by the ultimate controlling company
HCL Arabia LLC	Company controlled by the ultimate controlling company
HCL (New Zealand) Ltd.	Company controlled by the ultimate controlling company

**HCL Technologies (Shanghai) Limited**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
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**15. Related party relationships and transactions (continued)**

<u>Name</u>	<u>Relationship</u>
HCL Technologies South Africa (Pty.) Ltd.	Company controlled by the ultimate controlling company
HCL (Malaysia) Sdn. Bhd.	Company controlled by the ultimate controlling company
HCL Technologies (Thailand) Limited	Company controlled by the ultimate controlling company
HCL Technologies B.V.	Company controlled by the ultimate controlling company
HCL Hungary Korlátolt Felelősségű Társaság (Kft.)	Company controlled by the ultimate controlling company
HCL Technologies Romania Srl.	Company controlled by the ultimate controlling company
HCL Istanbul Bilisim Teknolojileri Limited Sirketi	Company controlled by the ultimate controlling company
HCL Axon (Proprietary) Ltd.	Company controlled by the ultimate controlling company
HCL Technologies Columbia S.A.S	Company controlled by the ultimate controlling company
Filial Espanola De HCL Technologies S.L.	Company controlled by the ultimate controlling company
HCL Netherlands B.V.	Company controlled by the ultimate controlling company
HCL Technologies (Beijing) Limited	Company controlled by the ultimate controlling company
HCL Tech Holland	Company controlled by the ultimate controlling company
HCL Tech. Ltd. Finland Br	Company controlled by the ultimate controlling company
HCL Comnet Ltd	Company controlled by the ultimate controlling company

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

(1) Sales and purchases

	2017	2016
<u>Sales of goods and services</u>		
HCL America Inc.	19,129,747.00	25,304,298.34
HCL Tech Ltd - IOMC	4,171,480.71	-
HCL Technologies Ltd.	3,665,477.00	2,185,760.25
HCL Hong Kong SAR Ltd.	3,594,138.00	2,232,601.00
HCL Technologies Columbia S.A.S	1,959,695.00	51,483.97
HCL GmbH, Germany	1,805,755.00	1,950,058.00
HCL Technologies Sweden AB	1,572,619.00	-
HCL Technologies France	1,445,595.25	402,678.37
HCL Technologies Finland Oy	1,185,059.00	5,465,579.05
HCL Axon Solutions (Shanghai) Co., Ltd.	1,086,627.82	4,188,401.78
HCL Technologies UK Ltd.	814,881.00	2,214,544.00
HCL Belgium NV	801,425.90	1,092,469.61
HCLT Canada	798,905.00	-
HCL Technologies B.V.	768,319.00	-
HCL Singapore Pte. Ltd.	607,580.00	784,480.00

**HCL Technologies (Shanghai) Limited**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**For the Year Ended 31 December 2017**  
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**15. Related party relationships and transactions (continued)**

(1) Sales and purchases (continued)	2017	2016
<u>Sales of goods and services (continued)</u>		
HCL Axon Solutions (Shanghai) Co., Ltd.		
Kunshan Branch	558,045.80	-
HCL Tech Australia	467,182.00	-
HCL Tech Sweden	447,559.00	-
HCL Japan Ltd.	303,820.00	171,656.00
HCL Great Britain Ltd.	277,048.00	935,542.00
HCL TECHNOLOGIES LTD BPO SERVICES	211,417.79	-
Axon Solutions Schweiz GmbH	186,169.00	-
HCL Technologies Denmark Aps	181,564.00	793,299.30
HCL Technologies Solutions GmbH	153,799.00	763,211.00
HCL Technologies Limited		
- Russia Branch	141,800.00	28,226.00
HCL Technologies Limited Czech Repu	108,756.00	-
HCL Technologies Germany	83,330.00	-
HCL (New Zealand) Ltd.	81,573.00	27,366.30
FILIAL ESPAÑOLA DE HCL TECHNOLOGIES	46,616.00	-
HCL Tech Italy	28,786.00	-
HCL Netherlands B.V.	28,338.00	364,891.00
HCL (Brazil) Tecnologia da informacao Ltda.	12,385.00	800,355.25
Hcl Technologies Philippines, Inc.	11,808.00	-
HCL (Netherlands) BV	-	1,283,867.00
HCL Technologies (Thailand) Limited	-	1,027,405.00
HCL Hungary Korlátolt Felelősségű Társaság (Kft.)	-	430,090.53
HCL Axon Technologies Inc.	798,905.00	254,379.44
HCL Technologies B.V.	-	127,795.00
Axon Solutions Pty. Ltd.	-	102,775.00
HCL Poland sp. z o.o.	-	89,649.00
HCL Axon Malaysia Sdn. Bhd.	-	83,011.00
HCL Istanbul Bilisim Teknolojileri Limited Sirketi	-	79,185.99
HCL Technologies Austria GmbH	-	69,140.00
PT. HCL Technologies Indonesia	-	55,500.00
HCL Arabia LLC	-	40,890.00
HCL Technologies Romania Srl.	-	29,775.87
HCL Axon (Proprietary) Ltd.	-	20,854.00
HCL TECHNOLOGIES LTD. Portugal	-	11,115.00
	<u>47,295,347.07</u>	<u>53,462,334.05</u>

**HCL Technologies (Shanghai) Limited**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**For the Year Ended 31 December 2017**  
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**15. Related party relationships and transactions (continued)**

(1) Sales and purchases (continued)

	2017	2016
<u>Purchases of goods and services</u>		
HCL Tech Ltd - IOMC	4,022,068.90	-
HCL Technologies Ltd.	3,671,649.17	12,960,471.08
HCL Singapore Pte. Ltd.	3,119,513.51	(13,006.21)
HCL GmbH, Germany	196,485.06	1,435,388.61
HCL Technologies UK Ltd.	1,289,042.40	331,572.29
HCL America Inc.	1,002,862.79	325,562.89
HCL Australia Services Pty. Ltd.	418,765.41	(5,080.91)
HCL Poland sp. z o.o	292,191.35	(100,963.04)
HCL Technologies Germany GmbH	2,709,503.59	704,569.20
HCL Axon Solutions (Shanghai) Co., Ltd.	4,694,556.40	7,035,855.04
HCL Technologies Austria GmbH	158,285.65	62,331.28
HCL Mexico S.De.R.L.De.C.V.	154,125.57	17,941.53
HCL Technologies Limited Switzerland	148,836.07	24,887.00
HCL Technologies CzechRe	107,308.79	-
HCL Axon Technologies Inc.	2,594,098.82	2,995,418.99
HCL Technologies France	95,908.54	101,272.53
HCL Great Britain Ltd.	67,775.20	6,392,918.48
HCL Belgium NV	53,935.61	(4,362.46)
HCL Technologies Norway AS	32,537.41	-
HCL (Brazil) Tecnologia da Informacao Ltda.	20,638.23	191,758.48
HCL Italy SRL	13,748.40	118,601.50
HCL Technologies Thailand Ltd	11,902.89	-
HCL SWEDEN AB	10,141.21	28,707.08
Hcl Technologies Philippines, Inc.	7,603.49	-
HCL Technologies Ltd Madurai	7,859.00	-
HCL Technologies Finland Oy	-	367,717.41
Axon Solutions Pty. Ltd.	-	189,747.06
Axon Solutions Limited	-	387,101.74
HCL Tech Limited, Moscow	336,805.39	(38,518.08)
HCL Singapore Pte. Ltd.	-	802,192.59
HCL (Malaysia) Sdn. Bhd.	118,941.00	293,347.39
HCL Arabia LLC	-	(21,764.00)
Filial Espanola De HCL Technologies S.L.	-	20,690.38
HCL Japan Ltd.	-	12,920.44
HCL Technologies Limited - Israel Branch	-	2.91
HCL Technologies		

**HCL Technologies (Shanghai) Limited**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**For the Year Ended 31 December 2017**  
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**15. Related party relationships and transactions (continued)**

(1) Sales and purchases (continued)

	2017	2016
<u>Purchases of goods and services</u>		
Middle East FZ-LLC	-	12,594.91
HCL Netherlands B.V.	-	207,791.04
HCL Technologies Columbia S.A.S	-	34,326.41
HCL ARGENTINA S.A.	-	28,576.00
HCL Technologies Chile SPA	-	83,055.00
HCL Technologies Denmark Aps	-	610.00
PT. HCL Technologies Indonesia	-	39,849.00
	<u>25,357,089.85</u>	<u>35,024,083.56</u>

(2) Amounts due from/to related parties

	2017	2016
<u>Accounts receivable</u>		
HCL America Inc.	7,665,622.79	24,404,563.39
HCL Axon Solutions (Shanghai) Co., Ltd.	2,588,818.87	7,044,536.17
HCL Tech Ltd - IOMC	3,726,529.71	-
HCL Technologies Ltd.	1,970,682.00	3,498,135.31
HCL Technologies Columbia S.A.S	1,954,111.47	-
HCL Technologies Sweden AB	1,555,165.00	-
HCL GmbH, Germany	1,008,579.84	1,950,058.00
HCL Hong Kong SAR Ltd.	890,728.00	2,288,308.34
HCL Technologies UK Ltd.	657,139.00	2,299,756.00
HCL Technologies France	502,164.00	402,678.37
HCL Singapore Pte. Ltd.	498,322.00	781,638.04
HCL Technologies B.V.	331,380.00	127,795.00
HCL Japan Ltd.	328,033.00	251,780.56
HCL (Brazil) Tecnologia da informacao Ltda.	221,905.38	1,278,875.22
HCL Axon Technologies Inc.	171,788.00	254,379.44
HCL Technologies Limited - Russia Branch	141,800.00	46,645.00
HCL Technologies Finland Oy	133,646.00	5,459,962.39
HCL Technologies Limited Switzerland	130,395.00	-
HCL Axon (Pty) Ltd	123,629.00	102,775.00



**HCL Technologies (Shanghai) Limited**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**For the Year Ended 31 December 2017**  
**(Expressed in Renminbi Yuan)**

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

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

	2017	2016
<u>Accounts receivable (continued)</u>		
HCL Technologies Germany	83,330.00	-
HCL TECHNOLOGIES LTD BPO SERVICES	44,450.00	-
HCL (New Zealand) Ltd.	39,145.00	27,366.30
HCLTechnologies Sweden AB	17,454.00	-
PT. HCL Technologies Indonesia	19,363.46	63,760.00
HCL Saudi Arabia	11,808.00	40,890.00
HCL ARGENTINA S.A.	1,393.50	78,105.16
HCL Netherlands B.V.	-	593,478.00
HCL Australia Services Pty. Ltd.	-	390,477.31
HCL Italy SRL	-	296,687.64
HCL Great Britain Ltd.	-	935,542.00
HCL Belgium NV	-	1,092,469.61
HCL Technologies (Thailand) Limited	-	1,027,405.00
HCL Hungary Korlátolt Felelősségű Társaság (Kft.)	-	430,090.53
HCL Technologies Romania Srl.	-	29,775.87
HCL Technologies Austria GmbH	-	69,140.00
<u>Advances from customers</u>		
HCL Axon Solutions(Shanghai)Co.,Ltd.	4,000,000.00	-
HCL Tech Holland	1,270,011.23	-
HCL Tech Belgium	1,005,557.46	-
HCL Tech. Finland Oy	445,136.77	-
HCL Great Britain Limited.	303,907.60	-
FILIAL ESPAÑOLA DE HCL TECHNOLOGIES	135,576.30	-
HCL Argentina S.A.	41,014.17	-
HCL Technologies Ltd.	-	607,200.60
<u>Accounts payable</u>		
HCL Technologies Ltd.	148,817.00	18,114,751.50
HCL Great Britain Ltd.	25,774,559.97	28,533,222.90
HCL Tech Ltd - IOMC	12,113,042.52	12,113,042.52
HCL Axon Solutions(Shanghai)Co.,Ltd.	8,436,126.63	10,735,990.81
HCL Axon Technologies Inc.	5,750,782.24	3,130,858.42
HCL Technologies Germany	5,345,375.91	3,009,064.62
HCL Singapore Pte. Ltd.	3,108,004.24	4,251,628.89
HCL (Brazil) Tecnologia da informacao Ltda.	2,439,236.14	2,390,750.94

**HCL Technologies (Shanghai) Limited**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**For the Year Ended 31 December 2017**  
**(Expressed in Renminbi Yuan)**

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

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

	2017	2016
<u>Accounts payable (continued)</u>		
HCL GmbH, Germany	2,186,471.75	4,448,035.04
HCL Technologies UK LTD.	1,291,107.12	-
HCL Australia Services Pty. Ltd.	751,017.31	339,575.22
HCL Mexico S.De.R.L.De.C.V.	635,010.61	644,447.66
HCL America Inc.	594,178.16	3,589,258.39
HCL Tech Holland	-	231,947.59
HCL AXON MALAYSIA	485,787.02	323,517.58
HCL Tech. Ltd. Finland Br	442,255.88	415,244.02
Axon Solutions Pty. Ltd.	440,898.76	445,334.84
Axon Solutions Limited	343,859.87	763,590.19
HCL Technologies Finland Oy	318,225.22	1,075,713.08
HCL Technologies France	311,464.10	213,718.58
HCL Poland sp. z o.o	305,785.00	1,794,229.85
HCL Tech Italy	181,372.86	157,386.39
HCL Technologies Limited Switzerland	144,734.87	24,887.00
HCL Tech Limited, Moscow	543,884.63	207,079.24
HCL Tech Sweden	116,484.79	108,979.66
HCL TECHNOLOGIES LTD. Russia Branch	135,453.06	191,988.92
HCLTechnologies CzechRe	108,903.91	-
HCL Technologies Austria GmbH	87,863.17	398,269.51
HCL Belgium NV	57,161.54	18,341.86
HCL Comnet Ltd	42,548.58	42,548.58
HCL Technologies Columbia S.A.S	38,838.55	34,326.41
HCL Technologies Norway AS	31,948.22	-
Filial Espanola De HCL Technologies S.L.	15,378.25	34,208.38
HCL Technologies Limited - Israel Branch	13,601.55	12,050.13
HCL Technologies Middle East FZ-LLC	12,629.39	14,211.00
HCL Technologies Thailand Ltd	11,836.78	-
HCL SWEDEN AB	9,857.78	108,979.66
HCL Technologies Ltd Madurai	7,859.00	-
Hcl Technologies Philippines, Inc.	7,385.12	-
HCLTech Hongkong	3,117.79	-
HCL Japan Ltd.	-	225,395.20
HCL Italy SRL	-	259,909.48

**HCL Technologies (Shanghai) Limited**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**For the Year Ended 31 December 2017**  
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**15. Related party relationships and transactions (continued)**

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

	2017	2016
<u>Accounts payable (continued)</u>		
HCL Arabia LLC	-	1,462.27
HCL (Malaysia) Sdn. Bhd.	-	339,135.36
HCL ARGENTINA S.A.	-	28,576.00
HCL Technologies Chile SPA	-	83,055.00
HCL Technologies Denmark Aps	-	610.00
<u>Other Receivables</u>		
HCL Axon Solutions (Shanghai) Co., Ltd.	1,707,279.21	756,637.32
HCL TECHNOLOGIES COLOMBIA S A S	51,880.18	-
<u>Other payables</u>		
HCL Technologies Sweden AB	760,406.93	-
HCL Axon Solutions (Shanghai) Co., Ltd.	546,296.00	48,223.40
<u>Short-term Investment</u>		
HCL Technologies (Beijing) Limited	18,000,000.00	8,000,000.00

Amounts due from/to related parties are interest free, unsecured and repayable within 2 years.

**16. 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:

Operating lease commitments	2017	2016
The 1st year	-	497,500.80
The 2nd year	-	-
	<u>-</u>	<u>497,500.80</u>

**HCL Technologies (Shanghai) Limited**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**For the Year Ended 31 December 2017**  
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**17. Contingencies**

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

**18. Events occurring after the balance sheet date**

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

**19. Approval of the financial statements**

The financial statements have been authorised for issuance by the board of directors on 29 May 2018.