K. S. Bhatia & Co.
Chartered Accountants

201, Balaji Darshan, Above Hotel Shabari, Tilak Road, Santacruz (W), Mumbai - 400 054. Tel.: 2649 3972 / 2649 2998

Independent Auditor's Report

TO THE MEMBERS OF HEXAWARE INFORMATION TECHNOLOGIES (SHANGHAI) COMAPANY LIMITED

Report on the Audit of Special Purpose Ind AS Financial Statements

We have audited the special purpose Ind AS financial statements of Hexaware Information Technologies (Shanghai) Company Limited ("the Company"), which comprise the Balance Sheet as at 31 December 2019, and the Statement of Profit and Loss (including other comprehensive income), Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the special purpose Ind AS financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "Ind AS financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 December 2019 and its loss (including other comprehensive income), its changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) issued by the Institute of Chartered Accountants of India (ICAI). Our responsibilities under those SAs are further described in the *Auditor's Responsibilities for the Audit of the Ind AS Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the Ind AS financial statements under the provisions of Companies Act, 2013 ("the Act") and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's Responsibility for the Ind AS Financial Statements

The Company's management and board of directors are responsible for the preparation of these Ind AS financial statements that give a true and fair view of the state of affairs, profit/loss (including other comprehensive income), changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) notified by the Ministry of Corporate Affairs.

This responsibility also includes maintenance of adequate accounting records for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Ind AS financial statements, management and board of directors are 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.

Board of directors is also responsible for overseeing the Company's financial reporting process.

K. S. Bhatia & Co.
Mumbai
FRN:- 114520W
M. No. 046908
Chartered Accountants

Auditor's Responsibility for the Audit of the Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the Ind AS 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 SAs 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 Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Ind AS 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.
- 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 entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 Ind AS 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.
- Evaluate the overall presentation, structure and content of the Ind AS financial statements, including the disclosures, and whether the Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

For K. S. Bhatia & Co.
Chartered Accountants
Firm's Registration No: 114520W

K. S. Bhatia & Co. Mumbai FRN:- 114520W M. No. 046908 Chartered Accountants

Kaushik S. Bhatia
Partner
Membership No. 046908
UDIN: 20046908AAAAAV1723

Mumbai, 31st January, 2020

HEXAWARE INFORMATION TECHNOLOGIES (SHANGHAI) COMPANY LIMITED
BALANCE SHEET AS AT DECEMBER 31, 2019

	Note	Currency : CNY As at December 31, 2019	Currency : CNY As at December 31, 2018
Assets			
Current assets			
Financial Assets			
- Trade receivables	4	210,532	397,511
- Cash and cash equivalents	5	126,043	247,902
- Loans	6	19,980	18,980
- Unbilled revenue		78,715	-
Other assets	7	16,209	11,939
Total current assets		451,479	676,332
Total assets		**451,479**	**676,332**
Equity and liabilities			
Equity			
Equity Share capital	8	347,412	347,412
Other Equity		(251,118)	105,222
Total equity		**96,294**	**452,634**
Current liabilities			
Financial Liabilities			
Trade Payables		134,200	134,200
Other financial liabilities	9	210,870	66,984
Other current liabilities	10	10,115	22,514
Total current liabilities		**355,185**	**223,698**
Total liabilities		**355,185**	**223,698**
Total equity and liabilities		**451,479**	**676,332**

Notes 1 to 22 forms an integral part of the financial statements

As per our report of even date

Hexaware Information Technologies (Shanghai) Company Limited

Shyam J Mansukhani
Authorised Signatory

Place : Mumbai
Date : 31st January, 2020

For K.S. Bhatia & Co.
Chartered Accountants
FRN No. 114520W

Kaushik Bhatia
Partner
M. No. 046908

Place : Mumbai
Date : 31st January, 2020

HEXAWARE INFORMATION TECHNOLOGIES (SHANGHAI) COMPANY LIMITED
STATEMENT OF PROFIT AND LOSS

	Notes	Currency : CNY For the Year ended December 31, 2019	Currency : CNY For the Year ended December 31, 2018
INCOME			
Revenue from information technology and consultancy services	15	1,890,969	375,226
Other Income	11	435	120
Total Income		**1,891,404**	**375,346**
EXPENSES			
Software and Development Expenses	12	24,288	-
Employee benefits expense	13	2,095,270	221,372
Operation and Other Expenses	14	115,633	48,524
Exchange Rate difference (net)		(513)	228
Total Expenses		**2,234,678**	**270,124**
Profit / (Loss) Before Tax		**(343,274)**	**105,222**
Tax Expenses		13,066	-
Profit / (Loss) for the year		**(356,340)**	**105,222**
Other Comprehensive Income		-	-
- Net change in cash flow hedge reserve		-	-
- Exchange differences in translating the financial statements of a foreign operations		-	-
- Income tax on items that will be reclassified		-	-
Total other comprehensive income		-	-
Total Comprehensive Profit/(Loss) for the year		**(356,340)**	**105,222**
Earnings Per Share (In CNY)	16	(35,634)	10,522

Notes 1 to 23 forms an integral part of the financial statements

As per our report of even date

Hexaware Information Technologies (Shanghai) Company Limited

Shyam J Mansukhani
Authorised Signatory

Place : Mumbai
Date : 31st January, 2020

For K.S. Bhatia & Co.
Chartered Accountants
FRN No. 114520W

Kaushik Bhatia
Partner
M. No. 046908

K.S. Bhatia & Co. Mumbai FRN:- 114520W M. No. 046908 Chartered Accountants

Place : Mumbai
Date : 31st January, 2020

HEXAWARE INFORMATION TECHNOLOGIES (SHANGHAI) COMPANY LIMITED
CASH FLOW STATEMENT

	Currency : CNY For the Year ended December 31, 2019	Currency : CNY For the Year ended December 31, 2018
Cash Flow from operating activities		
Net Profit before tax	*(343,274)*	*105,222*
Adjustments for:		
Interest Income	(435)	*(120)*
Operating profit before working capital changes	**(343,709)**	*105,102*
Adjustments for:		
Trade and other receivables	102,993	(428,430)
Trade and other payables	131,488	223,698
Cash from / (used) in operations	**(109,228)**	**(99,630)**
Direct Taxes Paid (net)	(13066)	-
Net cash from operating activities	**(122,294.46)**	
Proceeds from issue of share capital	-	*347,412*
Interest Income	435	120
Net cash from financing activities	**435**	**347,532**
Net increase / (decrease) in cash and cash equivalents	**(121,859)**	**247,902**
Cash and cash equivalents at the beginning of the year	247,902	-
Cash and cash equivalents at the end of the year (Refer note no 5)	**126,043**	**247,902**

Notes 1 to 23 forms an integral part of the financial statements

As per our report of even date

Hexaware Information Technologies (Shanghai) Company Limited

Shyam J Mansukhani
Authorised Signatory

Place : Mumbai
Date : 31st January, 2020

For K.S. Bhatia & Co.
Chartered Accountants
FRN No. 114520W

K.S. Bhatia & Co. Mumbai FRN:- 114520W M. No. 046908 Chartered Accountants

Kaushik Bhatia
Partner
M. No. 046908

Place : Mumbai
Date : 31st January, 2020

HEXAWARE INFORMATION TECHNOLOGIES (SHANGHAI) COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY

A. Equity Share Capital

Currency : CNY

As at January 1, 2019	Changes during the year	As at December 31, 2019
347,412	-	347,412

As at January 1, 2018	Changes during the year	As at December 31, 2018
-	347,412	347,412

B. Other Equity

	Reserves and Surplus	
	Retained Earnings	Total
Balances as at January 1, 2019	**105,222**	**105,222**
Profit for the year	(356,340)	(356,340)
Other comprehensive income / (loss)	-	-
Total comprehensive profit / loss for the year	**(356,340)**	**(356,340)**
As at December 31, 2019	**(251,118)**	**(251,118)**
(Loss) for the Period	105,222	105,222
Tax paid	-	-
Total comprehensive (loss) for the period	**105,222**	**105,222**
	Retained Earnings	**Total**
Balances as at January 1, 2018	**-**	**-**
Profit for the year	105,222	105,222
Other comprehensive income	-	-
Total comprehensive profit for the year	**105,222**	**105,222**
As at December 31, 2018	**105,222**	**105,222**

Notes 1 to 23 forms an integral part of the financial statements

As per our report of even date

Hexaware Information Technologies (Shanghai) Company Limited

Shyam J Mansukhani
Authorised Signatory

Place : Mumbai
Date : 31st January, 2020

For K.S. Bhatia & Co.
Chartered Accountants
FRN No. 114520W

Kaushik Bhatia
Partner
M. No. 046908

Place : Mumbai
Date : 31st January, 2020

1 Corporate Information

Hexaware Information Technologies (Shanghai) Company Limited incorporated on 15th December 2017. The Company is engaged in providing business process outsourcing / Call center services. It operates in various service lines like Human Resource outsourcing, Healthcare outsourcing, Finance/ Accounts Management and Knowledge Process Outsourcing. The Company is the Wholly Owned subsidiary of Hexaware Technologies Ltd India.

2 Significant Accounting Policies

2.1 Statement of compliance

The financial statements comply in all material aspects with Indian Accounting standards (referred to as "Ind AS") notified under Section 133 of the Companies Act, 2013 (the "Act") [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act.

2.2 Basis of Preparation

These financial statements are prepared on historical cost basis, except for certain financial instruments which are measured at fair values as explained in the accounting policies below.

These financial statements have been prepared in Chinese Yuan (CNY) which is the functional currency of the Company

All assets and liabilities have been classified as current and non-current as per the Company's normal operating cycle. Based on the nature of services rendered to customers and time elapsed between deployment of resources and the realisation in cash and cash equivalents of the consideration for such services rendered, the Company has considered an operating cycle of 12 months.

2.3 Critical accounting judgements and key source of estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue, expense, assets and liabilities and disclosures relating to contingent liabilities on the date of the financial statements. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates is recognised in the period in which the estimate is revised and in any future period affected.

Key source of estimation uncertainty which may cause material adjustments:

2.3.1 Impairment of Assets

Determining whether asset is impaired requires an estimation of the value in use of the cash-generating units to which asset has been allocated. The value in use calculation requires the management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where actual future cash flows are less than expected, a material impairment loss may arise.

2.3.2 Others

Others areas involving estimates relates to provision for the doubtful debts.

2.3.3 Revenue Recognition

The Group uses the percentage-of-completion method in accounting for its fixed-price contracts. Use of the percentage-of completion method requires the Group to estimate the efforts expended to date as a proportion of the total efforts to be expended. Efforts expended have been used to measure progress towards completion as there is a direct relationship between input and productivity. Provisions for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the expected contract estimates at the reporting date and can be reliably estimated.

The Company uses judgement to determine an appropriate standalone selling price for a performance obligation. The Company allocates the transaction price to each performance obligation on the basis of the relative standalone selling price of each distinct product or service promised in the contract. Where standalone selling price is not observable, the Company uses the expected cost plus margin approach to allocate the transaction price to each distinct performance obligation.

Judgement is also required to determine the transaction price for the contract. The transaction price could be either a fixed amount or variable consideration with elements such as volume discounts, service level credits, performance bonuses, price concessions and incentives. The transaction price is also adjusted for the effects of the time value of money if the contract includes a significant financing component. Any consideration payable to the customer is adjusted to the transaction price, unless it is a payment for a distinct product or service from the customer. The estimated amount of variable consideration is adjusted in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and is reassessed at the end of each reporting period.

Contract fulfilment costs are generally expensed as incurred except for certain costs which meet the criteria for capitalisation. The assessment of this criteria requires the application of judgement, in particular, when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recovered.

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M. No. 046903
Chartered Accountants

2.4 Revenue Recognition

Effective January 1, 2019, the company has applied Ind AS 115 which establishes a comprehensive framework for determining whether, how much and when revenue is to be recognised. Ind AS 115 replaces Ind AS 18 Revenue and Ind AS 11 Construction Contracts. The company has adopted Ind AS 115 using the cumulative catch-up transition method, the comparatives have not been retrospectively adjusted and it continues to be reported under Ind AS 18 and Ind AS 11. Refer note 2.7 – Significant accounting policies – Revenue recognition in the Annual report of the Company for the year ended December 31, 2018, for revenue recognition policy as per Ind AS 18 and Ind AS 11. The impact of adoption of the standard on the financial statements of the company is not material.

Revenue is recognised upon transfer of control of promised products or services to customers in an amount that reflects the consideration which the company expects to receive in exchange for those products or services.

In case of contract on time and material basis, transaction-based or volume-based contracts, revenue is recognised when the related services are performed.

In case of fixed price contracts, revenue is recognized using percentage of completion method. The company uses the efforts expended to date as a proportion to the total efforts to be expended as a basis to measure the degree of completion. The cumulative impact of any revision in estimates of the percentage of work completed is reflected in the year in which the change becomes known. Provisions for estimated losses on such engagements are made during the year in which a loss becomes probable and can be reasonably estimated. Amount received or billed in advance of services performed are recorded as unearned revenue (Contract liability). Unbilled receivables (Contract assets) represents revenue recognized based on services performed in advance of billing in accordance with contract terms.

Revenues related to fixed-price maintenance, testing and business process services are recognized based on our right to invoice for services performed for contracts in which the invoicing is representative of the value being delivered. If our invoicing is not consistent with value delivered, revenues are recognized as the service is performed using the percentage of completion method.

In case of contract on time and material basis, transaction-based or volume-based contracts, revenue is recognised when the related services are performed.

In case of fixed price contracts, revenue is recognized using percentage of completion method. The company uses the efforts expended to date as a proportion to the total efforts to be expended as a basis to measure the degree of completion. The cumulative impact of any revision in estimates of the percentage of work completed is reflected in the year in which the change becomes known. Provisions for estimated losses on such engagements are made during the year in which a loss becomes probable and can be reasonably estimated. Amount received or billed in advance of services performed are recorded as unearned revenue (Contract liability). Unbilled receivables (Contract assets) represents revenue recognized based on services performed in advance of billing in accordance with contract terms.

Revenues related to fixed-price maintenance, testing and business process services are recognized based on our right to invoice for services performed for contracts in which the invoicing is representative of the value being delivered. If our invoicing is not consistent with value delivered, revenues are recognized as the service is performed using the percentage of completion method.

Revenue is measured based on the transaction price, which is the consideration, adjusted for volume discounts, service level credits, performance bonuses, price concessions and incentives, if any, as specified in the contract with the customer. Revenue also excludes taxes collected from customers.

Contracts are subject to modification to account for changes in contract specification and requirements. The company reviews modification to contract in conjunction with the original contract, basis which the transaction price could be allocated to a new performance obligation, or transaction price of an existing obligation could undergo a change. In the event transaction price is revised for existing obligation, a cumulative adjustment is accounted for.

2.5 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

a) **Finance Lease**

Assets taken on finance lease are capitalised at lower of present value of the minimum lease payments and the fair value and liability is recognised for an equivalent amount. Lease payments are apportioned between finance charge and reduction in outstanding liability so as to achieve a constant rate of interest on the remaining balance of liability.

b) **Operating Leases**

Assets taken on lease under which all risks and rewards of ownership are effectively retained by the lessor are classified as operating lease. Lease payments under operating leases are recognised as expenses on straight line basis over the lease term unless the payment to the lessor are structured to increase in line with expected general inflation.

Furnished and equipped premises leased out under operating lease are capitalised in the books of the Company. Lease income is recognised over the lease term on a straight line basis.

2.6 Functional and presentation currency

Transactions in foreign currency are recorded at the original rate of exchange in force at the time transactions are effected. Monetary items denominated in foreign currency are restated using the exchange rate prevailing on the date of the Balance Sheet. The resulting exchange difference on such restatement and settlement is recognized in the profit or loss, except exchange differences on transactions entered into in order to hedge certain foreign currency risk.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date of Balance Sheet. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Assets and liabilities of entities with functional currency other than presentation currency have been translated to the presentation currency using exchange rates prevailing on the balance sheet date. Items in the statement of profit or loss have been translated using average exchange rates. Translation adjustments have been reported as foreign currency translation reserve in Other comprehensive income.

2.7 Employee Benefits

a) Post-employment benefits and other long term benefit plan

The Company contribtues to the employee benefit Scheme as per the Labour Law Regulations as applicable in China Republic.

b) Short term employee benefit

The undiscounted amount of short term employee benefits expected to be paid in exchange for the services rendered by employees is recognized as an expense during the year when the employee renders those services. These benefits include compensated absences such as leave expected to be availed within a year, statutory employee profit sharing and bonus payable.

2.8 Taxes on Income

Income tax expense comprises of current tax and deferred tax. Current and deferred tax are recognised in net income, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Current tax is measured at the amount expected to be paid or recovered from the domestic and overseas tax authorities using enacted or substantively enacted tax rates.

2.9 Impairment of assets other than goodwill

a) Financial assets (other than at fair value)

The Company assesses at each balance sheet date, whether a financial asset or a group of financial assets is impaired. Ind AS 109 requires expected credit losses to be measured through a loss allowance. The Company recognises lifetime expected losses for all contract assets and / or all trade receivables that do not constitute a financing transaction. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

b) Non-financial assets
Tangible and Intangible assets

At the end of each reporting period, the Company assesses whether there is an indication that an asset may be impaired. An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs or allocated. Impairment loss is charged to the profit or loss in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

2.10 Provisions

Provisions are recognised when the Company has present obligation (legal or constructive) as a result of a past event for which reliable estimate can be made of the amount of obligation and it is probable that the company will be required to settle the obligation. When a provision is measured using cash flows estimated to settle the present obligation its carrying amount is the present value of those cash flows; unless the effect of time value of money is immaterial.

2.11 Non derivative financial instruments

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value measured on initial recognition of financial asset or financial liability.

A Financial assets and financial liabilities – measurement

(i) **Financial assets at amortised cost**

Financial assets are subsequently measured at amortised cost if these financial assets are held within a business whose objective is to hold these assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(ii) **Financial assets at fair value through other comprehensive income**

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(iii) **Financial assets at fair value through profit or loss**

Financial assets are measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit and loss are immediately recognised in statement of profit and loss.

(iv) **Cash and cash equivalents**

The Company considers all highly liquid financial instruments, which are readily convertible into known amounts of cash that are subject to an insignificant risk of change in value and having original maturities of three months or less from the date of purchase, to be cash equivalents. Cash and cash equivalents consist of balances with banks which are unrestricted for withdrawal and usage.

(v) **Financial liabilities**

Financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

B Share capital

Equity shares

Incremental costs directly attributable to the issue of equity shares, net of any tax effects, are recognised as a deduction

K. S. Bhatia & Co. Mumbai FRN: 1 M. No. Chartered Accountants

3 Recent accounting pronouncements

Certain new standards, amendments to standards are not yet effective for annual periods beginning after Januaryl 1, 2019, and have not been applied in preparing financial statements. New standards, amendments to standards and interpretations that could have potential impact on the financial statements of the company are:

a) Ind AS 116 – Leases

Ind AS 116 replaces the existing leases Standard, Ind AS 17 Leases, and related interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard introduces a single lessee accounting model and requires a lessee to recognized assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Standard also contains enhanced disclosure requirements for lessees. The effective date for adoption of Ind AS 116 is annual periods beginning January 1, 2020.

b) Ind AS 12 – Income taxes (amendments relating to income tax consequences of dividend and uncertainty over income tax treatments)

The amendment relating to income tax consequences of dividend clarify that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

Ind AS 116 replaces the existing leases Standard, Ind AS 17 Leases, and related interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard introduces a single lessee accounting model and requires a lessee to recognized assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Standard also contains enhanced disclosure requirements for lessees. The effective date for adoption of Ind AS 116 is annual periods beginning January 1, 2020.

The amendments are effective from the annual periods beginning January 1, 2020. The company is currently assessing the impact of adopting the amendments on its financial statements.

4 Trade Receivables (unsecured)

Currency : CNY

	December 31, 2019	December 31, 2018
Considered good	210,532	397,511
	210,532	397,511

The Company's credit period generally ranges from 30-60 days. Allowance for the doubtful debts is made for the debts outstanding for over 180 days unless confirmed by the customer and/ or recoverability is considered reasonable. The age wise breakup of trade receivables, net of allowances is given below:

	December 31, 2019	December 31, 2018
Not Due	-	-
Due less than 180 days	210,532	397,511
Due greater than 180 days	-	-
	210,532	397,511
Average age (days)	40	24

5 Cash and cash equivalents

	December 31, 2019	December 31, 2018
In current accounts with banks	126,043	247,902
	126,043	247,902

6 Loans

	December 31, 2019	December 31, 2018
Security Deposit for Premises	19,980	18,980
	19,980	18,980

7 Other Current Assets

	December 31, 2019	December 31, 2018
Prepaid Expenses	16,209	11,939
	16,209	11,939

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M. No. 040338
Chartered Accountants

8 Equity Share Capital

Currency : CNY

8.1 Issued, subscribed and paid-up capital	December 31, 2019	December 31, 2018
Equity share Capital (10 equity shares of USD 5000 each)	347,412	347,412

8.2 The entire share capital is held by Hexaware Technologies Ltd , the Holding Company

8.3 Rights, preferences and restrictions attached to equity shares:

The Company has one class of equity shares having no par value. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all liabilities, in proportion to their shareholding.

8.4 Reconciliation of number of shares	December 31, 2019	December 31, 2018
Shares outstanding at the beginning of the year	10	-
Shares issued during the year	-	10
Shares outstanding at the end of the year	10	10

9 Other Financial Liabilities

	December 31, 2019	December 31, 2018
Employee liabilities Payable	194,522	66,984
Advance from Customers	16,348	-
	210,870	66,984

10 Other Current Liabilities	December 31, 2019	December 31, 2018
Statutory liabilities	10,115	22,514
	10,115	22,514

Mumbai
FRN - 114520W
M. No. 046908
Chartered Accountants

HEXAWARE INFORMATION TECHNOLOGIES (SHANGHAI) COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Currency : CNY

11 Other income

	For the Year ended December 31, 2019	For the Year ended December 31, 2018
Interest income	435	120
	435	120

12 Software and Development Expenses

	For the Year ended Dec. 31, 2019	For the Year ended Dec. 31, 2018
Consultant related expenses	24,288	-
	24,288	-

13 Employee benefits expense

	December 31, 2019	December 31, 2018
Salary and allowances	1,994,604	204,692
Contribution to provident and other funds	100,666	16,680
	2,095,270	221,372

14 Operation and Other Expenses

	December 31, 2019	December 31, 2018
Rent	100,017	45,001
Rates and taxes	2,300	-
Travelling and conveyance	2,472	-
Repairs and maintenance	-	680
Legal and professional fees	7,568	2,760
Bank and other charges	3,276	83
	115,633	48,524

15 Revenue from operations **Currency : CNY**

15.1 The disaggregated revenue with the customers for the year ended 31 December

	For the year ended	
	December 31, 2019	December 31, 2018
Time and Material contracts		
Others	1,890,969	375,226
Total revenue from operations	**1,890,969**	**375,226**

15.2 Changes in unearned revenue are as follows:

	For the year ended	
	December 31, 2019	December 31, 2018
Balance as at 1 January 2018	-	-
Revenue recognised that was included in the unearned revenue balance at the beginning of the year	-	-
Increase due to invoicing during the year, excluding revenue recognised as revenue during the year	78,715	-
Balance as at 31 December 2019	**78,715**	**-**

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16 Financial Instruments **Currency : CNY**

16.1 Financial Instruments by category

The carrying value / fair value of financial instruments by categories is as follows:

December 31, 2019	Amortised Cost	Fair value through other comprehensive income	Fair value through Profit and (Loss)	Total carrying / fair value
Cash and cash equivalents	126,043	-	-	126,043
Trade receivables	210,532	-	-	210,532
Loans	19,980	-	-	19,980
Unbilled revenue	78,715	-	-	78,715
	435,270	-	-	435,270
Trade payables	134,200	-	-	134,200
Other financials liabilities	210,870	-	-	210,870
	345,070	-	-	345,070

December 31, 2018	Amortised Cost	Fair value through other comprehensive income	Fair value through Profit and (Loss)	Total carrying / fair value
Cash and cash equivalents	247,902	-	-	247,902
Trade receivables	397,511	-	-	397,511
Other financial assets	18,980	-	-	18,980
	664,393	-	-	664,393
Trade payables	134,200	-	-	134,200
Other financials liabilities	66,984	-	-	66,984
	201,184	-	-	201,184

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16 Financial Instruments (Cont'd)

16.2 Financial risk management

The Company has identified the risks under verticals like client concentration risk, credit risk, and liquidity risk. The Company has formulated policies, procedures and strategies for managing risks which is affirmed by management, after consultation with all business units, functions and department heads.

Client concentration risk

Most of the revenue of 2019 is generated from top 1 client (Interplex). Any loss or major downsizing by this client may impact Companys profitability. Further, excessive exposure to particular clients will limit Companys negotiating capacity and expose us to higher credit risk.

The Company's growth strategy involves a mix of new client addition and mining the accounts of existing clients. As we add more clients and grow our revenues from the existing clients, we naturally reduce our dependence on the large clients. Moreover, large clients allow quick scaling up of revenues and they come with much higher margins due to lower associated cost and higher cost predictability.

Credit risk

Since most of our transactions are done on credit, we are exposed to credit risk on accounts receivable. Any delay, default or inability on the part of the client to pay on time will expose us to credit risk and can impact our profitability. Our maximum credit exposure in respect of unbilled revenue is of CNY 78,715 and Nil as at December 31, 2019 and December 31,2018 . And in respect of Trade receivable is of CNY 206,224 and CNY 397,511 as at December 2019 and December 2018 respectively.

Cash and cash equivalents include current a/c balances with banks with high credit-ratings assigned by credit-rating agencies.

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16 Financial Instruments (Cont'd)

16.3 Financial risk management (Cont'd)

Foreign Currency fluctuations Risk

Foreign exchange fluctuations is one of the key risks impacting our business. The offshore part of the revenue remains exposed to the risk of CNY appreciation which is functional currency of the Company vis-a-vis the US Dollar, the Euro and other foreign currencies, as largely, the costs incurred are in CNY and the revenue/ inflows are in foreign currencies. The contracts the company enters into with our customers tend to run across several years and many of these contracts are at fixed rates, therefore any appreciation in the CNY vis-à-vis foreign currencies will affect margins.

CNY

The following table analyses foreign currency risk from financial instruments as at December 31, 2019:

	USD	EUR	GBP
Net financial assets	115,105.00	-	-
Net financial liabilities	-	-	-
Net assets/(liabilities)	115,105.00	-	-

CNY

The following table analyses foreign currency risk from financial instruments as at December 31, 2018:

	USD	EUR	GBP
Net financial assets	-	-	-
Net financial liabilities	-	-	-
Net assets/(liabilities)	-	-	-

10% depreciation/appreciation of the respective foreign currencies vis-a-vis functional currency of the Company and its subsidiaries would result in the increase/ decrease in Group's profit before tax approximately by CNY 11511 andNil for the year ended December 31, 2019 and December 31, 2018, respectively.

16 Financial Instruments (Cont'd)

Liquidity risk

The Company needs continuous access to funds to meet short and long term strategic investment requirements. The Companys inability to meet such requirements in stipulated period may hamper growth plan and even ongoing operations. Further, the Company's inability to quickly convert assets into cash without incurring any appreciable loss will expose it to liquidity risks.

Over the years, the Company has increased its liquidity position by maintaining high cash / bank balances.

As at December 31, 2019, the Company had total cash / bank balances of CNY 126,043 which constitutes approximately 28% of total assets. The Company does not have any debt.

The tables below provide details of the contractual maturities of significant financial liabilities as at:

		Curr: CNY
As at December 31, 2019	**Less than 1 year**	**Total**
Trade Payables	134,200	134,200
Other financials liabilities	210,870	210,870
	345,070	345,070

		Curr: CNY
As at December 31, 2018	**Less than 1 year**	**Total**
Trade Payables	134,200	134,200
Other financials liabilities	66,984	66,984
	201,184	201,184

The Company does not have any debt. Hence, the Company is not significantly exposed to interest rate risk.

17 Earnings per share (EPS)

The components of basic and diluted EPS were as follows:	Currency : CNY For the Year ended December 31, 2019	Currency : CNY For the Year ended December 31, 2018
Net profit after tax (In CNY)	(356,340)	105,222
Weighted average outstanding equity shares considered for basic and diluted EPS (Nos.)	10	10
Basic and diluted earnings per share (In CNY)	(35,634)	10,522

18 Segments

The Company operates in only one Segment - BPS.

19 The Company takes on lease office space and accommodation for its employees under various operating leases. The lease rentals towards operating lease agreements recognised in the Statement of Profit and Loss for the year is CNY 100,017 (December 31, 2018 CNY 45,001)

The future minimum lease payments and payment profile of the non-cancellable operating leases are as follows:

Currency : CNY

Particulars	December 31, 2019	December 31, 2018
Not later than one year	69,651	12,539
Later than one year and not later than five years	-	-
Total	69,651	12,539

20 **Related Parties Disclosures:**

i) **Name of Related parties and description of relationship:**

Ultimate Holding Company and it's subsidiaries
Baring Private Equity Asia GP V. LP, Cayman Island (Ultimate holding company) (control exists)
The Baring Asia Private Equity Fund V, LP, Cayman Island
Baring Private Equity Asia V Mauritius Holding (4) Limited, Mauritius
HT Global IT Solutions Holdings Limited, Mauritius
Holding Company (control exists)
Hexaware Technologies Limited, India
Fellow subsidiaries
Hexaware Technologies Inc., USA
Hexaware Technologies Asia Pacific Pte. Ltd., Singapore
Guangzhou Hexaware Information Technologies Company Limited.
Key Management Personnel
Shyam Mansukhani

ii) **Related party transactions**

	Currency : CNY For the Year ended December 31, 2019	Currency : CNY For the Year ended December 31, 2018
Software & Consultancy Income		
Fellow subsidiaries	Amount	Amount
Hexaware Technologies Inc., USA	261,824	43,139
Hexaware Technologies Asia Pacific Pte Ltd - Singapore	571,173	
Total	832,997	43,139

	Currency : CNY For the Year ended December 31, 2019	Currency : CNY For the Year ended December 31, 2018
Recovery cost from		
Fellow subsidiaries	Amount	Amount
Hexaware Technologies Limited	-	2,588
Hexaware Technologies Inc., USA	15,709	-
Hexaware Technologies Asia Pacific Pte Ltd - Singapore	34,270	-
Total	49,979	2,588

	Currency : CNY For the Year ended December 31, 2019	Currency : CNY For the Year ended December 31, 2018
Reimbursement of cost to		
Fellow subsidiaries	Amount	Amount
Guangzhou Hexaware Information Technologies Company Limited.	-	134,200
Total	-	134,200

iii) **Outstanding Balances**

	Currency : CNY December 31, 2019	Currency : CNY December 31, 2018
Trade and other receivables		
Fellow subsidiaries	Amount	Amount
Hexaware Technologies Inc., USA	45,517	45,499
Hexaware Technologies Asia Pacific Pte Ltd - Singapore	69,588	-
Total	115,105	45,499

	Currency : CNY December 31, 2019	Currency : CNY December 31, 2018
Trade Payables		
Fellow subsidiaries	Amount	Amount
Guangzhou Hexaware Information Technologies Company Limited.	-	134,200
Total	-	134,200

	Currency : CNY December 31, 2019	Currency : CNY December 31, 2018
	Amount	Amount
Investment by Holding Company	347,412	347,412

21 The Company recognized CNY 100,666 for the year ended December 31, 2019 towards social security in the statement of profit and loss account. The contributions payable to these plans by the company are at rates specified in the rules of the schemes.

22 **Material events after Balance Sheet date**

There is no significant event after reporting date which requires amendments or disclosure to the financial statements.

23 **Approval of the financial statements**

The financial statements were approved for issue by the Board of Directors on 31st January, 2020

S. Bhatia & Co.
Mumbai
Chartered Accountants