



### **Independent Auditor's Report**

### **TO THE MEMBERS OF HEXAWARE TECHNOLOGIES HONG KONG LIMITED**

### **Report on the Audit of Special Purpose Ind AS Financial Statements**

We have audited the special purpose Ind AS financial statements of Hexaware Technologies Hong Kong 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 profit (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.



**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**

  
**Kaushik S. Bhatia**  
**Partner**

**Membership No. 046908**  
**UDIN: 20046908AAAAAT7295**



**Mumbai, 30<sup>th</sup> January, 2020**

**HEXAWARE TECHNOLOGIES HONG KONG LTD**  
**BALANCE SHEET AS AT 31ST DECEMBER 2019**

		HKD	
	Note	December 31, 2019	December 31, 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Financial assets			
- Loans	4	28,200	28,200
<b>Total non-current assets</b>		<u>28,200</u>	<u>28,200</u>
<b>Current assets</b>			
Financial Assets			
- Trade receivables	6	1,821,061	2,431,132
- Cash and cash equivalents	7	2,673,956	1,516,099
- Unbilled revenue		5,450,966	-
- Other financial assets	5	736,252	721,808
<b>Total current assets</b>		<u>10,682,235</u>	<u>4,669,039</u>
<b>Total assets</b>		<u>10,710,435</u>	<u>4,697,239</u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Equity Share capital	8	1,945,000	1,945,000
Other Equity		5,247,319	1,162,120
<b>Total equity</b>		<u>7,192,319</u>	<u>3,107,120</u>
<b>Current liabilities</b>			
Financial liabilities			
- Trade payables		854,076	396,116
- Other financial liabilities	9	1,281,561	693,263
Other current liabilities	10	-	48,621
Provisions			
- Employee benefit obligations		407,432	271,284
Current tax liabilities (net)		975,047	180,835
<b>Total current liabilities</b>		<u>3,518,116</u>	<u>1,590,119</u>
<b>Total liabilities</b>		<u>3,518,116</u>	<u>1,590,119</u>
<b>Total equity and liabilities</b>		<u>10,710,435</u>	<u>4,697,239</u>

The notes on pages 1 to 22 form an integral part of the financial statements

In terms of our report attached

For K.S Bhatia & Co.  
Chartered Accountants

FRN: 114520 W

Kaushik Bhatia  
Partner  
Mumbai, 30th January, 2020



For and on behalf of the Board of Directors

*Amalesh Mishra*

Amalesh Mishra  
Director

**HEXAWARE TECHNOLOGIES HONG KONG LTD**  
**STATEMENT OF PROFIT AND LOSS**  
**FOR THE YEAR ENDED 31ST DECEMBER 2019**

HKD

		For year ended	
		December 31, 2019	December 31, 2018
<b>INCOME</b>			
Revenue from operations	11	19,336,553	19,050,495
Other Income	12	639	-
<b>Total Income</b>		<b>19,337,192</b>	<b>19,050,495</b>
<b>EXPENSES</b>			
Software and development expenses	13	427,432	1,479,580
Employee benefits expense	14	13,151,030	15,608,303
Operation and other expenses	15	632,533	650,679
Exchange Rate difference (net)		233,744	278,143
<b>Total Expenses</b>		<b>14,444,739</b>	<b>18,016,705</b>
<b>Profit Before Tax</b>		<b>4,892,453</b>	<b>1,033,790</b>
Tax expense			
- Current		807,255	140,576
<b>Profit for the year</b>		<b>4,085,198</b>	<b>893,214</b>
Other comprehensive income (OCI)		-	-
<b>Total Comprehensive income for the year</b>		<b>4,085,198</b>	<b>893,214</b>
<b>Earnings per share (In HKD)</b>			
Basic	18	2.10	0.46
Diluted		2.10	0.46

The notes on pages 1 to 22 form an integral part of the financial statements

In terms of our report attached

For K.S Bhatia & Co.  
Chartered Accountants  
FRN/114520W



Kaushik Bhatia (M.No. 046908)  
Partner  
Mumbai, 30th January, 2020

For and on behalf of the Board of Directors

*Amalesh Mishra*

Amalesh Mishra  
Director

**HEXAWARE TECHNOLOGIES HONG KONG LTD**  
**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2019**

HKD

**A. Equity Share Capital**

Balances as at January 1, 2019	Changes during the year	Balances as at December 31, 2019
1,945,000	-	1,945,000
Balances as at January 1, 2018	Changes during the year	Balances as at December 31, 2018
1,945,000	-	1,945,000

HKD

**B. Other Equity**

	Retained Earnings	Total Other Equity
<b>As at January 1, 2019</b>	1,162,121	1,162,121
Profit for the year	4,085,198	4,085,198
Other comprehensive income	-	-
<b>As at December 31, 2019</b>	<b>5,247,319</b>	<b>5,247,319</b>
<b>Balances as at January 1, 2018</b>	268,907	268,907
Profit for the year	893,214	893,214
Other comprehensive income	-	-
<b>As at December 31, 2018</b>	<b>1,162,121</b>	<b>1,162,121</b>

The notes on pages 1 to 22 form an integral part of the financial statements  
 In terms of our report attached

For K.S Bhatia & Co.  
 Chartered Accountants

*(Signature)*

Kaushik Bhatia (M.No. 2046908)  
 Partner  
 Mumbai, 30th January, 2020



For and on behalf of the Board of Directors

*(Signature)*

Amalesh Mishra  
 Director

**HEXAWARE TECHNOLOGIES HONG KONG LTD**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31ST DECEMBER 2019**

HKD

<b>Particulars</b>	<b>For year ended</b>	
	<b>December 31, 2019</b>	<b>December 31, 2018</b>
<b>Cash Flow from operating activities</b>		
Net Profit before tax	4,892,453	1,033,790
<b>Operating profit before working capital changes</b>	<b>4,892,453</b>	<b>1,033,790</b>
Adjustments for:		
Trade and other receivables	(4,855,339)	(1,222,071)
Trade and other payables	1,133,785	481,185
<b>Cash generated from operations</b>	<b>1,170,899</b>	<b>292,904</b>
Direct Taxes paid (net)	(13,042)	(12,878)
<b>Net cash from operating activities</b>	<b>1,157,857</b>	<b>280,026</b>
<b>Net Increase in cash and cash equivalents</b>	<b>1,157,857</b>	<b>280,026</b>
Cash and cash equivalents at the beginning of the year	1,516,099	1,236,073
<b>Cash and cash equivalents at the end of the year (Refer Note 7)</b>	<b>2,673,956</b>	<b>1,516,099</b>

The notes on pages 1 to 22 form an integral part of the financial statements

In terms of our report attached

For K.S Bhatia & Co.  
Chartered Accountants

FRN: 114520 W

*K. S. Bhatia*

Kaushik Bhatia (M. No. 046908)

Partner

Mumbai, 30th January, 2020



For and on behalf of the Board of Directors

*Amalesh Mishra*

Amalesh Mishra  
Director

**1 Corporate Information**

Hexaware Technologies Hong Kong Ltd., incorporated on 24th April 2017 under the laws of Hong Kong, is a subsidiary of Hexaware Technologies Limited. These Financial Statement have been prepared & audited for purpose of consolidation with the holding company.

The Company is engaged in information technology consulting, software development and business process management. Hexaware provides multiple service offerings to its clients across various industries comprising travel, transportation, hospitality, logistics, banking, financial services, insurance, healthcare, manufacturing, consumer and services. The various service offerings comprise application development and management, enterprise package solutions, infrastructure management, business intelligence and analytics, business process, digital assurance and independent testing.

**2 Significant Accounting Policies and statement of compliance**

**2.1 Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

**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 Hong Kong Dollar (HKD) 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:**

**(i) Revenue recognition**

The Company uses the percentage-of-completion method in accounting for its fixed-price contracts. Use of the percentage-of-completion method requires the Company 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.

The major tax jurisdictions for the Company is Hong Kong. Significant judgments are involved in determining the provision for income taxes including judgment on whether tax positions are probable of being sustained in tax assessments. A tax assessment can involve complex issues, which can only be resolved over extended time periods.

**(ii) Others**

Others areas involving estimates relates to provision for the doubtful debts and useful lives of property, plant and equipment.



#### **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.

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 payments to the lessor are structured to increase in line with expected general inflation.

#### **2.6 Functional and presentation currency**

##### **(b) Foreign currency**

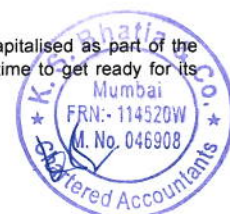
Transactions in foreign currency are recorded at the original rate of exchange in force at the time transactions are effected. Monetary items denominated in foreign currency are restated using the exchange rate prevailing on the date of Balance Sheet. The resulting exchange difference on such restatement 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 Balance Sheet date. 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 Borrowing Cost**

Borrowing cost directly attributable to the acquisition or construction of qualifying assets is capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognised in the profit or loss.





**2.8 Employee Benefits**

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

Payments to defined contribution retirement schemes viz. contribution to the Mandatory Provident Fund (MPF) are expensed as incurred.

**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 period when the employee renders those services. These benefits include compensated absences such as leave expected to be availed within a year and bonus payable.

**2.9 Taxes on Income**

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when it affects neither the taxable profit nor the accounting profit at the time of the transaction.

A deferred income tax liability is recognised for all taxable temporary differences arising on property, plant and equipment, except where the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period; and
- (ii) based on the tax consequence that will follow from the manner in which the Company expects, at the end of reporting period, to recover or settle the carrying amounts of its assets and liabilities.

**2.10 Impairment**

**Financial assets (other than at fair value)**

The Company assesses at each balance sheet date, whether a financial asset or a Company 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.

**2.11 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.



**2.13 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 – subsequent 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. 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**

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 or re-purchase of equity shares, net of any tax effects, are recognised as a deduction from equity.

**2.13 Earnings per share ('EPS')**

Basic EPS are computed by dividing profit or loss attributable to equity shareholders of the Company by the weighted average number of equity shares outstanding during the period. Diluted EPS is computed by dividing the net profit attributable to the equity holders of the Company by the weighted average number of equity shares considered for deriving basic EPS and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. The dilutive potential equity shares are adjusted for the proceeds receivable had the equity shares been actually issued at fair value (i.e. the average market value of the outstanding equity shares). Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented.



**HEXAWARE TECHNOLOGIES HONG KONG LTD  
FOR THE YEAR ENDED 31ST DECEMBER 2019  
NOTES TO THE FINANCIAL STATEMENTS**

**3 Recent accounting pronouncements**

Certain new standards, amendments to standards are not yet effective for annual periods beginning after January 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:

**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 recognize 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.

The amendment to Appendix C of Ind AS 12 specifies that the amendment is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. It outlines the following: (1) the entity has to use judgement, to determine whether each tax treatment should be considered separately or whether some can be considered together. The decision should be based on the approach which provides better predictions of the resolution of the uncertainty (2) the entity is to assume that the taxation authority will have full knowledge of all relevant information while examining any amount (3) entity has to consider the probability of the relevant taxation authority accepting the tax treatment and the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates would depend upon the probability.

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 Loans (Unsecured, considered good)**

HKD

Non-current Assets	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Security deposits for premises and others	28,200	28,200
	<u>28,200</u>	<u>28,200</u>

**5 Other financial assets (unsecured) (considered good)**

Current Assets	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Loans and advances to related parties (note no. 17)	526,343	579,339
Prepaid Expenses	21,719	17,164
Employee advances	188,190	125,305
	<u>736,252</u>	<u>721,808</u>

**6 Trade Receivables (unsecured)**

HKD

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Considered good	1,821,061	2,431,132
Considered doubtful	-	-
	<u>1,821,061</u>	<u>2,431,132</u>

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:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Not due	811,548	1,395,346
Due less than 180 days	1,009,513	1,035,786
Due greater than 180 days	-	-
	<u>1,821,061</u>	<u>2,431,132</u>
Average age (days)	<u>34</u>	<u>47</u>

**7 Cash and cash equivalents**

HKD

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
In current accounts with banks	2,673,956	1,516,099
	<u>2,673,956</u>	<u>1,516,099</u>



**HEXAWARE TECHNOLOGIES HONG KONG LTD**  
**FOR THE YEAR ENDED 31ST DECEMBER 2019**  
**NOTES TO THE FINANCIAL STATEMENTS**

**8 Equity Share Capital** HKD

8.1 Authorised capital

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
2,000,000 Ordinary Equity shares of HKD 1/- each	2,000,000	2,000,000

8.2 Issued, subscribed and paid-up capital

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
	HKD	HKD
Equity shares of HKD 1/- each	1,945,000	1,945,000

8.3 Reconciliation of number of shares

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Shares outstanding at the beginning of the year	1,945,000	<b>1,945,000</b>
Shares issued during the year	-	-
Shares outstanding at the end of the year	<b>1,945,000</b>	<b>1,945,000</b>

8.4 Rights, preferences and restrictions attached to equity shares

The Company has one class of equity shares having a par value of HKD 1/- each. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. 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.

8.5 Details of shares held by shareholders holding more than 5% shares

		<b>December 31, 2019</b>	<b>December 31, 2018</b>
<u>Name of Shareholder</u>	No. of Shares held	1,945,000	1,945,000
Hexaware Technologies Limited	% of holding	100	100

**9 Other financial liabilities**

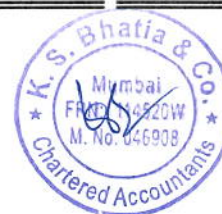
HKD

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Employee liabilities Payable	924,960	340,260
Accrued expenses	356,601	353,003
	<b>1,281,561</b>	<b>693,263</b>

**10 Other current liabilities**

HKD

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Unearned revenues	-	40,056
Statutory liabilities	-	8,565
	<b>-</b>	<b>48,621</b>



**HEXAWARE TECHNOLOGIES HONG KONG LTD**  
**FOR THE YEAR ENDED 31ST DECEMBER 2019**  
**NOTES TO THE FINANCIAL STATEMENTS**

**11 Revenue from operations**

HKD

11.1 The disaggregated revenue with the customers for the year ended 31 December 2019 by contract type:

	<u>For year ended</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Time and Material contracts	4,673,006	4,076,844
Others	14,200,113	14,973,651
<b>Total revenue from operations</b>	<b><u>18,873,119</u></b>	<b><u>19,050,495</u></b>

11.2 The revenue from contracts as per geography for the year ended 31 December 2019 is as under:

	<u>For year ended</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
APAC	18,873,119	19,050,495
<b>Total revenue from operations</b>	<b><u>18,873,119</u></b>	<b><u>19,050,495</u></b>

11.3 Reconciliation of revenue recognised with the contracted price is as follows:

	<u>For year ended</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Contracted price	18,873,119	19,050,495
<b>Revenue recognised</b>	<b><u>18,873,119</u></b>	<b><u>19,050,495</u></b>

11.4 Changes in unearned revenue are as follows:

	<u>For year ended</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Balance as at 1 January 2019	40,056	-
Revenue recognised that was included in the unearned revenue balance at the beginning of the year	(40,056)	-
Increase due to invoicing during the year, excluding revenue recognised as revenue during the year	-	40,056
<b>Balance as at 31 December 2019</b>	<b><u>-</u></b>	<b><u>40,056</u></b>

11.5 Changes in unbilled revenue are as follows:

	<u>For year ended</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Balance as at 1 January 2019	-	-
Invoices raised during the year that was included in the Revenue recognised during the year for which the contractual	4,987,531	-
<b>Balance as at 31 December 2019</b>	<b><u>4,987,531</u></b>	<b><u>-</u></b>



**HEXAWARE TECHNOLOGIES HONG KONG LTD**  
**FOR THE YEAR ENDED 31ST DECEMBER 2019**  
**NOTES TO THE FINANCIAL STATEMENTS**

		HKD	
		For year ended	
		<u>December 31, 2019</u>	<u>December 31, 2018</u>
<b>12 Other Income</b>			
Interest income		639	-
		<u>639</u>	<u>-</u>
			HKD
		For year ended	
		<u>December 31, 2019</u>	<u>December 31, 2018</u>
<b>13 Software and Development Expenses</b>			
Consultant travel and related expenses		427,432	1,479,580
		<u>427,432</u>	<u>1,479,580</u>
			HKD
		For year ended	
		<u>December 31, 2019</u>	<u>December 31, 2018</u>
<b>14 Employee benefits expense</b>			
Salary and allowances		12,822,800	15,213,904
Contribution to provident and other funds		316,417	394,399
Staff welfare expenses		11,813	-
		<u>13,151,030</u>	<u>15,608,303</u>
			HKD
		For year ended	
		<u>December 31, 2019</u>	<u>December 31, 2018</u>
<b>15 Operation and Other Expenses</b>			
Rent		-	207
Travelling and conveyance		85,158	2,857
Communication expenses		346	-
Audit fees		27,406	-
Legal and professional fees		341,269	506,901
Bank and other charges		112,631	138,361
Insurance charges		18,835	2,353
Service charges		40,000	-
Miscellaneous expenses		6,888	-
		<u>632,533</u>	<u>650,679</u>



**HEXAWARE TECHNOLOGIES HONG KONG LTD**  
**FOR THE YEAR ENDED 31ST DECEMBER 2019**  
**NOTES TO THE FINANCIAL STATEMENTS**

**16 Financial Instruments**

16.1 Financial Instruments by category

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

				HKD
	Amortised	Fair value	Fair value	Total
	Cost	through	through other	carrying /
		Profit and Loss	comprehensive	fair value
			income	
<b>December 31, 2019</b>				
Cash and cash equivalents	2,673,956	-	-	2,673,956
Trade receivables	1,821,061	-	-	1,821,061
Unbilled revenue	5,450,966	-	-	5,450,966
Other financial assets (Refer Note 4 and 5)	764,452	-	-	764,452
	<u>10,710,435</u>	<u>-</u>	<u>-</u>	<u>10,710,435</u>
Trade payables	854,076	-	-	854,076
Other financial liabilities (Refer Note 9)	1,281,561	-	-	1,281,561
	<u>2,135,637</u>	<u>-</u>	<u>-</u>	<u>2,135,637</u>
<b>December 31, 2018</b>				
Cash and cash equivalents	1,516,099	-	-	1,516,099
Trade receivables	2,431,132	-	-	2,431,132
Other financial assets (Refer Note 4 and 5)	750,008	-	-	750,008
	<u>4,697,239</u>	<u>-</u>	<u>-</u>	<u>4,697,239</u>
Trade payables	396,116	-	-	396,116
Other financial liabilities (Refer Note 9)	693,263	-	-	693,263
	<u>1,089,379</u>	<u>-</u>	<u>-</u>	<u>1,089,379</u>

Carrying amount of cash and cash equivalents, trade receivables, trade payable, other financial assets and liabilities approximate the fair value because of the short term nature. Difference between carrying amounts and fair values of other financial assets and liabilities subsequently measured at amortised cost is not significant in each of the period presented.



**HEXAWARE TECHNOLOGIES HONG KONG LTD**  
**FOR THE YEAR ENDED 31ST DECEMBER 2019**  
**NOTES TO THE FINANCIAL STATEMENTS**

**16 Financial Instruments (Cont'd)**

**16.2 Financial risk management**

The Company has identified the risks under verticals like client concentration risk, credit risk, foreign currency fluctuation 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.

**(i) Client concentration risk**

100% of the revenue of 2019 is generated from top 4 clients. Any loss or major downsizing by these clients may impact Company's profitability. Further, excessive exposure to particular clients will limit Company's negotiating capacity and expose us to higher credit risk.

The Company is able to maintain a diversified high quality client roster that can be accessed through the depth of relationships with existing clients.

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.

**(ii) 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 is in respect of trade receivables of HKD 1,821,061 and HKD 2,431,132 as at December 31, 2019 and December 31, 2018 respectively.

Our DSO 34 days and 47 days as on December 31, 2019 and December 31, 2018 respectively.

Top 2 customer dues (including unbilled revenue) contribute 100% of the total outstanding as at December 31, 2019 (100% as at December 31, 2018).

Cash and cash equivalents include current account balances with banks.





**HEXAWARE TECHNOLOGIES HONG KONG LTD**  
**FOR THE YEAR ENDED 31ST DECEMBER 2019**  
**NOTES TO THE FINANCIAL STATEMENTS**

**16 Financial Instruments (Cont'd)**

**(iii) Foreign Currency fluctuations Risk**

Foreign exchange fluctuations are one of the key risks impacting our business. The offshore part of the revenue remains exposed to the risk of HKD appreciation which is functional currency of the Company vs. the US Dollar, the Euro and other foreign currencies, as largely, the costs incurred are in Indian Rupees and the Revenue/ Inflows are in foreign currencies. The contracts we enter into with our customers tend to run across several years and most of these contracts are at fixed rates, any appreciation in HKD vis-à-vis foreign currencies will affect our margins.

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

	<u>USD</u>	<u>SGD</u>	<u>INR</u>
Net financial assets	1,502,258	6,881,524	223,705
Net financial liabilities	-	-	-
Net assets/(liabilities)	<u>1,502,258</u>	<u>6,881,524</u>	<u>223,705</u>

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

	<u>USD</u>	<u>SGD</u>	<u>INR</u>
Net financial assets	1,682,358	700,361	224,041.00
Net financial liabilities	145,727	-	67,529.00
Net assets/(liabilities)	<u>1,536,632</u>	<u>700,361</u>	<u>156,512.00</u>

10% depreciation/appreciation of the respective foreign currencies with respect to functional currency of the Company and its subsidiaries would result in the increase/ decrease in Company's profit before tax approximately by HKD 860,749 and HKD 239,350 for the year ended December 31, 2019, December 31, 2018 respectively.

Sensitivity analysis is computed based on the changes in the income and expenses in foreign currency upon conversion into functional currency, due to exchange rate fluctuations between the previous reporting period and the current reporting period.



**HEXAWARE TECHNOLOGIES HONG KONG LTD**  
**FOR THE YEAR ENDED 31ST DECEMBER 2019**  
**NOTES TO THE FINANCIAL STATEMENTS**

**16 Financial Instruments (Cont'd)**

(iv) **Liquidity risk**

The Company needs continuous access to funds to meet short and long term strategic investments. The Company inability to meet such requirements in stipulated period may hamper growth plan and even ongoing operations. Further, the Company 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 improving its DSO and maintaining high cash / bank balance and investments.

As at December 31, 2019, the Company had total cash / bank balance of HKD 2,673,956 which constitutes 26% of our total assets. The Company does not have any debt.

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

<b>As at December 31, 2019</b>	<b>Curr: HKD</b>	
	<b>Less than 1 year</b>	<b>Total</b>
Trade payables	854,076	854,076
Others (Refer note 9)	1,281,561	1,281,561
<b>Total</b>	<b>2,135,637</b>	<b>2,135,637</b>

<b>As at December 31, 2018</b>	<b>Curr: HKD</b>	
	<b>Less than 1 year</b>	<b>Total</b>
Trade payables	396,116	396,116
Others (Refer note 9)	693,263	693,263
<b>Total</b>	<b>1,089,379</b>	<b>1,089,379</b>

(v) **Interest rate risk**

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



**HEXAWARE TECHNOLOGIES HONG KONG LTD  
FOR THE YEAR ENDED 31ST DECEMBER 2019  
NOTES TO THE FINANCIAL STATEMENTS**

**17 Related party disclosures**

**Names of related parties and description of relationship:**

**Ultimate Holding Company and it's subsidiaries**

Baring Private Equity Asia GP V. LP ( ultimate holding Company) (control exists)

The Baring Asia Private Equity Fund V, LP

Baring Private Equity Asia V Mauritius Holding (4) Limited

HT Global IT Solutions Holdings Limited

**Holding Company (control exists)**

Hexaware Technologies Limited, India

**Fellow Subsidiaries**

Hexaware Technologies Inc.

Hexaware Technologies Asia Pacific Pte. Ltd.

**Key Management Personnel (KMP)**

Mr Amalesh Mishra

**Location**

Cayman Island

Cayman Island

Mauritius

Mauritius

India

United States of America

Singapore

**i) Details of party wise transactions :**

HKD

Nature of transactions	Name of the Related party and Relationship	For year ended	
		December 31, 2019	December 31, 2018
<b>Software and consultancy income</b>	<b>Fellow Subsidiaries:</b>		
	Hexaware Technologies Inc.	1,876,187	1,767,547
	Hexaware Technologies Limited, India	-	223,705
	Hexaware Technologies Asia Pacific Pte Ltd	7,336,395	12,982,399
		<b>9,212,582</b>	<b>14,973,651</b>
<b>Reimbursement of cost to</b>	<b>Holding Company:</b>		
	Hexaware Technologies Limited, India	1,065,133	-
		<b>1,065,133</b>	<b>-</b>
<b>Recovery of cost from</b>	<b>Fellow Subsidiaries:</b>		
	Hexaware Technologies Inc.	62,823	18,478
	Hexaware Technologies Asia Pacific Pte Ltd	1,698,473	1,881,886
	<b>Holding Company:</b>		
Hexaware Technologies Limited, India	-	635,634	
		<b>1,761,296</b>	<b>2,535,998</b>

**ii) Closing balances:**

HKD

Particulars	Name of the Related party and Relationship	As on	As on
		December 31, 2019	December 31, 2018
<b>Trade Receivables</b>	<b>Holding Company:</b>		
	Hexaware Technologies Limited, India	223,705	224,041
	<b>Fellow Subsidiaries:</b>		
	Hexaware Technologies Inc.	176,659	688,160
Hexaware Technologies Asia Pacific Pte Ltd	588,721	683,680	
		<b>989,085</b>	<b>1,595,881</b>
<b>Advances</b>	<b>Holding Company:</b>		
	Hexaware Technologies Limited, India	425,071	403,734
	<b>Fellow Subsidiaries:</b>		
	Hexaware Technologies Inc.	3,980	16,656
Hexaware Technologies Asia Pacific Pte Ltd	97,292	158,949	
		<b>526,343</b>	<b>579,339</b>



**HEXAWARE TECHNOLOGIES HONG KONG LTD**  
**FOR THE YEAR ENDED 31ST DECEMBER 2019**  
**NOTES TO THE FINANCIAL STATEMENTS**

**18 Earnings per share**

The components of basic and diluted earnings per share (EPS) were as follows:

	For year ended	
	December 31, 2019	December 31, 2018
Net profit after tax (HKD)	4,085,198	893,214
Weighted average outstanding equity shares considered for basic EPS (Nos.)	1,945,000	1,945,000
Basic earnings per share (In HKD)	2.10	0.46
Weighted average outstanding equity shares considered for basic EPS (Nos.)	1,945,000	1,945,000
Add : Effect of dilutive issue of stock options (Nos.)	0.00	0.00
Weighted average outstanding equity shares considered for diluted EPS (Nos.)	1,945,000	1,945,000
Diluted earnings per share (In HKD)	2.10	0.46

**19 Employee benefits plan**

Both the employees and the Company make monthly contributions to Provident Fund Plan (MPF) equal to a specified percentage of the covered employee's salary. The Company recognized HKD 316,417/- (Previous Year HKD 394,399/-) for contribution to pension scheme 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 and company does not have any further obligation on such plans.

**20 Segments**

There is only one reportable business segment viz software consultancy, the results of which are disclosed in the financial statements.

**21 Material events after Balance Sheet date**

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

**22 Approval of the financial statements**

The financial statements were approved for issue by the Board of Directors on 30 January 2020

